



“Sarda Energy & Minerals Limited
Q1 2020 Earnings Conference Call”

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Moderator: Ladies and gentlemen good day and welcome to the Sarda Energy Q1 FY2020 Earnings Conference Call hosted by Yes Securities. As a reminder all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the 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. I now hand the conference over to Mr. Tarang Bhanushali from Yes Securities. Thank you and over to you Sir!

Tarang Bhanushali: Good afternoon everyone and I thank you all for joining the Sarda Energy & Minerals Limited Earnings concall for Q1 FY2020. We have with us from the management side, Mr. Pankaj Sarada, Joint Managing Director, Mr. Manish Sarada, Deputy Managing Director Sarda Metals & Alloys and Mr. Padam Kumar Jain, CFO.

I would thank the management for giving us this opportunity to host the call and again handover the call to the management for their initial comments.

Pankaj Sarada: Thank you Tarang. Good afternoon everyone and a warm welcome to the earnings conference call for the quarter ended June 30, 2019.

We have uploaded the results presentation and press release on the exchanges and hope that you had chance to look at it. Along with me we have on the call Mr. Manish Sarada – Deputy Managing Director - Sarda Metals & Alloys Limited, Mr. Padam Kumar Jain – Director and Chief Financial Officer.

To begin with I would like to inform you all that during the quarter ferro alloy furnaces at Vizag were under plant maintenance shutdown for about 15 days each, which impacted our topline and operational profitability.

During the quarter our consolidated total income stood at Rs.566 Crores against the Rs.610 Crores in Q1 FY2019. As mentioned above the industry slowdown and shutdown at Vizag plant impacted the topline. Increased production of steel billets and rod products helped in achieving the performance.

Consolidated EBTIDA for Q1 FY2020 at Rs.121 Crores as against Rs.123 Crores in Q1 FY2019, we grew marginally by 2% Y-o-Y, mainly on account of provision of Rs.6 Crores for past disputed service tax liability. EBITDA margin stood at 21% in Q1 FY2020 against 20% in same quarter last year a marginal increase of 100 bps year-on-year.

Consolidated profit after tax for the quarter was at Rs.51 Crores against Rs.45 Crores in Q1 FY2019 experienced a growth of 12% Y-o-Y. Work on the Sikkim Hydropower Project is progressing well and the project is expected to be completed by March 2020. I am pleased to inform that the Sikkim Government has approved increase in the project capacity from 96 megawatts to 115 megawatts.

Process of other approvals is going on. As we all are aware the steel sector is facing many headwinds on accounts of challenging market dynamics. The growth in steel production and plunge in overall demand and consumption has impacted the conversion margins from sponge iron and steel billets. We believe our diversified portfolio of products, our presence in complete steel value chain and integrated manufacturing operation, consistent cash flow from hydropower business, low leveraging and our experience of efficient operating skills will help us to withstand the current industry challenge smoothly.

Now I would like to open the floor for Q&A session. Thank you.

Moderator: Thank you. Ladies and gentlemen we will now begin the question and answer session. The first question is from the line of Vijay Singh from First Global. Please go ahead.

Vijay Singh: Congratulations Sir on a good set of results in a difficult scenario, just wanted to understand, what, just can you give us your view on a ferro segment, what was the performance?

Pankaj Sarada: Thank you Vijay. Ferro Alloy segment performance has been consistent what it was in the first quarter. The only thing, volumes have gone down during this quarter as we had taken shutdown of the ferro alloys plant, about 15 days in each furnace for overhauling, at Vizag.

Vijay Singh: Could you please specify how much volume has done and realization was almost on the same level Sir?

Pankaj Sarada: The realization was almost on the same level, but if you see last year Y-o-Y we had a production of 39,000 metric tonnes, if you can see from the fourth quarter, fourth quarter we had 32,000 tonnes of ferro alloys, this time we are having 30,000 metric tonnes close to about 9,000 metric tonnes Y-o-Y.

Vijay Singh: But looking the scenario what is your view going on, going forward for the steel and ferro both?

Pankaj Sarada: Ferro margins are stable. In steel as already stated in our opening remarks with the prices of sponge iron and billets having gone down drastically, their margins have squeezed, conversion margins, have reasonably good margin on the pellet side as well as conversion margins on the rolling side is also stable.

Vijay Singh: Okay Sir. Thank you.

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

Rahul Jain: Sir can you give me product wise realization year-on-year and quarter-on-quarter, please?

Pankaj Sarda: Yes, definitely we can. The product wise realization if you see in case of pellet this was about 6300, sponge iron it was in the range of 17000, steel billet it was 31000, wire rod 36500 and wire 39000, ferro manganese 72000 and silico manganese 68500, if you compare with the Q4, Q4 we had a pellet realization of 6200 now it is 6300 Q-on-Q if you see, Y-o-Y if you see last year we had a realization of about 6600, now it is 6300, pellets. Sponge iron current quarter realization is 17000, last quarter realization was 18000 and prior to that it was 19000. Billets current quarter realization 31000, last quarter 32000 and prior to that it was 33000 for the FY2019. If you take FY2019 it was 33000 and wire rod current quarter 36000, last quarter 37000 and last one year it was 38000. So there has been a fall in all the products in the steel products Y-o-Y as well as Q-o-Q there has been a fall about maybe Rs.1000 a tonne on products. In case of ferro alloys prices are more or less stable compared to the Q4, but when you compare with the previous year there has been some correction in the ferro manganese pricing, silico manganese prices are stable at all the three levels.

Rahul Jain: Sir can you give me the realization levels for Q2? What do you expect for Q2?

Pankaj Sarda: Q2 as already stated pellet prices will definitely be better than the Q1 and in case of sponge iron and billets price realizations will be on lower side. On the other steel products it will be on the lower side. In case of ferro alloys the prices are stable at the prevailing level.

Rahul Jain: Sir in percentage terms can you give me?

Pankaj Sarda: Percentage is now, how the things moved it depends presently you may consider I think maybe correction of about 10% to 15% in the pricing at the present level, but how does it continues or it will improve, let us see, but in case of pellets, prices have improved maybe around present last quarter's realization was 6300 it should be somewhere about 6800 on average realization, this is what we expect.

Rahul Jain: Sir, now you are raising money right?

Pankaj Sarda: No, we have just taken enabling resolution, last year also we had taken the resolution there is no specific plan to raise the funds, it is only an enabling resolutions, so that tomorrow, if we get any opportunity for acquisition or any such thing, so we are not required to go once again to the shareholders, because annual general meeting is there, that is why we are taking enabling resolution.

Rahul Jain: Okay Sir. Thanks a lot.

Moderator: Thank you. The next question is from the line of Ayush Mittal from Mittal Analytics. Please go ahead.

Ayush Mittal: Congratulations for maintaining a good number in a challenging time. Sir can you give a bit of your overview and thoughts on the industry and their prospects going forward?

- Pankaj Sarda:** As already told steel industry is going through the tough times and price realizations have gone down particularly in the finished side, but on the raw material side, iron ore prices and pellet prices are now on higher side, because of the higher exports and higher global prices. So steel, in case of pellets there will be better margins, in case of other finished products margins will be under pressure. In case of ferro alloys definitely margins are stable and we expect to improve upon from this level.
- Ayush Mittal:** So if we look at the company and last six months scenario I think the steel prices have been declining gradually and the fall has increased in the recent months, but yet we see that you have been able to maintain good margins, what is the key reason for that and what will be the expectation on the margin going forward?
- Pankaj Sarda:** No, one thing is that with the fall in the selling prices, the raw material prices also get corrected that is one of the reason. So it is not with the fall in the prices our margins will also fall in the same way because with the fall in the finished prices raw material gets corrected. Second thing is the volume increase, if you see in the steel we have seen substantial increase in the production of steel billets and wire rod and consequently our power plant capacity utilization has also improved. So, that all helped us in maintaining our margins. In steel we had a better margins on account of volume also and definitely conversion margins were stable in the Q1 and Q2 also again as told that pellet which is one of our significant contributor in the profitability we have a better margin in the pellet this time, but definitely margins will be on the lower side in other finished products in the steel, and then we have hydropower where the margins are quite stable.
- Ayush Mittal:** Overall as a company what kind of margins do we expect going forward given that the prices have corrected in the steel product?
- Pankaj Sarda:** It may have certain impact, but not because of different streams and our availability in complete value chain and three different streams, we expect yes there maybe pressure on margins but still we should be able to do reasonably well.
- Ayush Mittal:** Is it right to assume that 17%, 18% operating margins can be maintained?
- Pankaj Sarda:** Should be, but difficult to say because of the volatility in the prices.
- Ayush Mittal:** And Sir any expectations on the industry going forward like they say that as the monsoon gets over the industry picks up and things improve or antidumping or something can be happen on the industry because of which there maybe some revival; anything that you are expecting?
- Pankaj Sarda:** I think, Manish ji.
- Manish Sarda:** Yes, quarter going forward and antidumping is that what you asked?

- Ayush Mittal:** Yes, basically what are your thoughts on the industry how will the things improve or any revival that you are seeing?
- Manish Sarda:** See frankly speaking right now we are in a midst of a global slowdown and I think India is also not totally insulated from the global happenings, what I see going forward is that the steel industry per se will be on a bit of a slow growth compared to what is happening everywhere else in the world, but there will be a bit of revival after the monsoons get over. Because generally when the monsoons happen we see there is a lackluster demand, but after the monsoons get over the long products and everything start moving. See we are primarily concerned with the long products because we are making wire rods and we are not in the flat section, the flat steel products. I think the market will revive, but to what extent it will be seen only after the rains. As far as antidumping duty is concerned, there are some talks going on, but we are not sure, how well we are compliant to the WTO norms, but safeguard duties are already there in place, but till the time safeguard duties are not converted into antidumping duty which itself a tedious process because there are lot of compliances that we need to follow for WTO norms, but India is right now looking better than the rest of the world.
- Ayush Mittal:** Are you seeing pickup in the infrastructure demand or some other areas, which is helping, which can help?
- Manish Sarda:** Basically the infra demand that will be there. Infrastructure growth in this country needs a serious look and overhauling everywhere especially in the rural areas the infrastructure growth and the road, that will pickup and that is where the growth will come for the long products.
- Ayush Mittal:** Okay Sir. Thank you.
- Moderator:** Thank you. The next question is from the line of Ayush B from Aequitas Securities. Please go ahead.
- Ayush B:** Congratulations on good set of results. Sir I wanted to ask just so we have gotten the pellet clearance we were expecting after election?
- Manish Sarda:** We have put in all the papers regarding all the compliances and everything, next month we are expecting a hearing from the environment MoEF Ministry and so everything is in place.
- Ayush B:** So we expect in the next quarter coming quarter
- Manish Sarda:** We are expecting the hearing on next month in Delhi regarding the same.
- Ayush B:** And sir what would be our sales figures for Sarda Metals our subsidiary, ferro alloy sales figure.
- Pankaj Sarda:** Ferro alloy sales.

Ayush B: Sir, volumes.

Pankaj Sarda: Sarda Metals.

Ayush B: Yes.

Pankaj Sarda: What is the question?

Ayush B: Our volumes for our Sarda Metals and Alloys so this time again we have not mentioned that in our presentation.

Pankaj Sarda: Yes, we have given consolidated one, we had a volume of 15800 metric tonnes.

Ayush B: And the power with our volume growth?

Pankaj Sarda: for?

Ayush B: Thermal power volume.

Pankaj Sarda: 80 megawatt, we had a volume of a 1.25 million units.

Ayush B: These are the sales volumes right?

Pankaj Sarda: No this is power generation, power sales is very minimal, power sales it is about 45 million units.

Ayush B: And 15800 is ferro alloys sales volume right not production?

Pankaj Sarda: Production volume.

Ayush B: And what would be the sales.

Pankaj Sarda: Production and sales are almost same maybe 100 tonnes here and there that is something different but more or less the production and sales volume are in line.

Ayush B: And Sir on our debt, do we have any debt reduction plan for the year?

Pankaj Sarda: See whatever is being repaid in normal format there would not be any material reduction because there will be some debt raising for ongoing project or more or less the debt will remain at the existing levels.

- Ayush B:** And on our Sikkim hydropower project so you mentioned that your capacity you have received approval for increasing capacity from 90 to 115 megawatt so how much additional capex will be maintained for that?
- Pankaj Sarda:** There would not be any additional capex we already have a built in capacity in the equipment and designing is there to that level.
- Ayush B:** Okay, so on an overall basis for hydro power segment that our second plant commissioning by March 2020, so overall what would be the outlook for the year?
- Pankaj Sarda:** I could not get your question can you just pardon.
- Ayush B:** Just wanted to understand on our hydropower business what outlook do we have for the entire year?
- Pankaj Sarda:** No, for the current year so there would not be any addition in the capacity whatever is the prevailing projects or operating projects are there we will be getting revenue from that.
- Ayush B:** So it will be a stable outlook for the entire year.
- Pankaj Sarda:** It will be stable, yes, it is quite stable outlook.
- Ayush B:** And next year we will start, yes, and once our Sikkim commission did you expect to start generating good cash flows from next year onwards.
- Pankaj Sarda:** Yes.
- Ayush B:** Okay Sir. That is it from my side. Thank you.
- Moderator:** Thank you. The next question is from the line of Vijay Singh from First Global. Please go ahead.
- Vijay Singh:** Sir what is the debt level you are looking for FY2020 and FY2021?
- Pankaj Sarda:** Debt level is presently total debt is about Rs.1400 Crores and I think it should go maximum to Rs.1500 Crores.
- Vijay Singh:** So my question is, we are increasing the capacity or we are entitled to increase the capacity of hydropower plant from 96 megawatt to 110 megawatt so this by the end of FY2020 we are looking for the commercialization of the plant. So what level of revenue we are looking for FY2021 and FY2022 and what could be the load sector?
- Pankaj Sarda:** Basically it depends on what price PPA we enter into, but so far as the power load sector is concerned it should be somewhere in the range of 50% power load system?

- Vijay Singh:** So overall what is your expectation, what level of just broadly we can discuss what revenues we can get from this specific project?
- Pankaj Sarda:** I think we expect somewhere about total revenue of maybe about Rs.180, 190 Crores.
- Vijay Singh:** It could be for FY2021 on that load sector of 50% right Sir?
- Pankaj Sarda:** Yes load sector of 50%.
- Vijay Singh:** And normally what level of the EBITDA margin we think.
- Pankaj Sarda:** Generally 90% is EBITDA.
- Vijay Singh:** Thank you Sir. Thank you so much.
- Moderator:** Thank you. The next question is from the line of Jatin Damania from Kotak Securities. Please go ahead.
- Jatin Damania:** Sir I just wanted to understand because if you look at the last quarter, our revenue was impacted because of the shutdown that we have taken at Vizag for 30 days, so is shutdown over and the plant is operation or the shutdown is still continuing?
- Pankaj Sarda:** No, shutdown is over.
- Jatin Damania:** And this was the maintenance shutdown or...?
- Pankaj Sarda:** That was regular maintenance shutdown.
- Jatin Damania:** And for this 30 days what was the loss of production I mean the volume loss that we have seen?
- Pankaj Sarda:** It is maybe about 3000 metric tonnes.
- Jatin Damania:** So the 3000 additional metric tonnes volume we can see in the Q2 right.
- Pankaj Sarda:** Yes we should.
- Jatin Damania:** If I am not wrong and the second thing you said that your debt which is almost around Rs.1400-odd Crores will likely to remain at the same level in the coming years as you are going to do certain Capex if you can highlight a capex plan other than the 0.2 million tonnes of pellet that you will be doing it, what are the major capex which are lined up?

- Pankaj Sarda:** No, one is the ongoing hydro power project that is one then we will be taking a 24 megawatt hydro power project in Chhattisgarh.
- Jatin Damania:** So the current hydro power is just Rs.594 Crores that we have total projects that lined up right?
- Pankaj Sarda:** No, that we already availed Rs.610 Crores we already avail then there will be further borrowing.
- Jatin Damania:** And Sir that will be to the extent of ?
- Pankaj Sarda:** It will be yes, but I think is somewhere it may go up to Rs.900 Crores at the max.
- Jatin Damania:** Another Rs.300 Crores of the debt that you will be raising it right?
- Pankaj Sarda:** Certainly. Yes, but there will be any payments are also there then there are reductions in other debt. So it should be somewhere in the range of Rs.1500 Crores, maybe Rs.1550 Crores also.
- Jatin Damania:** So incremental 100 Crores of the debt we can see?
- Pankaj Sarda:** 150 Crores we can see.
- Jatin Damania:** And in terms of the pellet plant since the hearing is likely to happen probably in the next month, I mean, how much time will it take for us to ramp up the facility from 0.6 to 0.8 and how much capex that we will be spending incrementally?
- Pankaj Sarda:** There would not be any capex there would not be any time requirement for ramping up we already have a capacity to produce 8 lakh tonnes. We only require permission to produce that.
- Jatin Damania:** And Sir that hearing for the same is in the next month right?
- Pankaj Sarda:** Yes hearing and then further processes will follow it may take some time, but even if we get by the end of current calendar year it would not affect any of the capacity we will be able to achieve that production.
- Jatin Damania:** And Sir just wanted to know the overall view on the ferro alloys demand and the prices because if you look the prices on month-on-month basis for the ferro manganese and ferro chrome has been on the declining trend. So how do we see going ahead in the probably Q2 or for the 12 months down the line?
- Pankaj Sarda:** The ferro alloys pricing as such has not gone down drastically if you compare from quarter-to-quarter it is only marginally down by 1% so that is the first thing in ferro manganese and silico manganese, the prices have not moved very much southwards compared to the rest of the steel products. Going forward I think the ferro alloys demand should be stable and should be good because I do not see a

very major reduction in terms of the steel production going down. There will be bits and pieces of shutdowns here and there but they will all be temporarily, because India's domestic demand will remain almost the same or maybe bit less, but it is not a drastic fashion of demand slowdown would be there.

Jatin Damania: But Sir have we seen any slowdown in terms of demand in the Q2 starting July.

Pankaj Sarda: There is a bit of a demand slowdown, overall there is a bit of a demand slowdown, but I think normally in the rainy season we see a lackluster demand, but after the rainy season is over, we will see the demand coming back into the market. As far as ferro alloys is concerned I think the ferro alloys future in India looks to be very good, primarily for the very reason that South Africa which was one of the largest production basin in the world, is now looming a big production cut in the sense that SCOM which is the power generation company of South Africa has announced the increase in power tariffs there.

So a lot of production cut will be seen which will come in the few months, in the next few months because the announcement was just a few days back and a many ferro alloys producing companies out there are now discussing whether the operations will be viable going forward or not. So I think a demand shutdown there we will propel the growth here in India.

Jatin Damania: So Sir that is definitely a good sign, but if you can highlight or you can explain the total quantum increase or in terms of the percentage by SCOM in South Africa so that what would be the increase in the overall cost for them?

Pankaj Sarda: Let me tell you the current prices in South Africa which are there right now in Indian rupees is Rs.5.25 and they are asking for an increase of 10%.

Jatin Damania: That means Rs.5.75.

Pankaj Sarda: Yes, so which is huge and in spite of having the raw material the production viability looks to be a little difficult because please understand that South Africa also has a huge manpower cost and their logistics cost is also high because the raw materials are sitting far away from the where the plants are. So these are the things which will actually help India grow in terms of silico manganese and silico manganese per se we are the largest seaborne suppliers to the world markets, India as a country.

Jatin Damania: So I mean definitely then for us the export opportunities become much bigger as compared to the domestic market right if the increase in the South African cost of production goes up then your export becomes high right.

Pankaj Sarda: Correct.

- Jatin Damania:** Then probably but the clarity on the same in terms of the cost?
- Manish Sarda:** Going with that India's initial or let us say the latent demand which is still there not fully explored as of now. We will see a change of management in terms of Essar Steel which is a 10 million tonne plant, which is currently running roughly at around 5.5 million, so there is a demand growth there which is hidden, plus we have the Nagarnar plant which is coming up of NMDC in Chhattisgarh plus we have steel plant expansions by Visakhapatnam steel plant, they are increasing their capacity from 3.2 million tonnes to 6.4 million tonnes so these are the pockets where the growth will propel at some point of time in India. These plants will increase their capacity and the ferro alloy's demand will also grow long in that line with that.
- Jatin Damania:** Thank you and all the best.
- Moderator:** Thank you. The next question is from the line of Ayush Mittal from Mittal Analytics. Please go ahead.
- Ayush Mittal:** Just as a follow-up question, when we look at the valuations of your company or any of the peers in this space like Godavari power or Prakash the P/E ratios have been very, very low for all the companies. As an analyst we are just trying to understand if in your view there any substantial negative that maybe developing in the industry because of which market is giving fresh flow valuation?
- Pankaj Sarda:** As I told whatever margins have been pressured definitely in the steel finished products otherwise I do not foresee any material negativity, and as I told in our case we have got a diversified portfolio even if that is there that may not, that materially affect us.
- Ayush Mittal:** So in your case if I think about the pellet as that has been a major contributor so tomorrow like we are seeing some correction in iron ore prices recently if these are to go down and pellet prices are to say fall to maybe Rs.5000, Rs.5500 how does the margin profile change?
- Pankaj Sarda:** No, if that is going and therefore the prices of the other finished products remain at same level though as substantial part of that I will recover in the value chain in the finished product that is one aspect then second as I told we have ferro alloys, we have hydropower there would not be any effect of this.
- Ayush Mittal:** And sir can you repeat the first part like you said if the pellet prices go down then?
- Pankaj Sarda:** We are captively consuming if pellet prices going down and steel prices remains at the present level so we will capture that margin in our finished product because a substantial part of our pellet is captively consumed. So there we will have the advantage.

- Ayush Mittal:** So even in all these scenario like even if pellet prices are to come down you believe that there would not be a substantial reduction in margin is that a right thinking?
- Pankaj Sarda:** Yes, there is the reduction but there would not be substantial reduction because part of that will be captured in our value chain addition.
- Manish Sarda:** I will explain it to you. See what happens is when you are saying that the pellet prices will move down to let us say 5500 level, please understand that we have a production base of 600000 tonnes at the moment out of which we consume a good amount in our own captive production of finished goods. If the markets are very strong and the market pricing is very good, we try to sell our pellets in the market to capitalize on that profit margin and when the markets are little down or the pricing is not to that profitability we would like to rather consume it and make finished products at our own end. So we have that flexibility of using alternate materials depending upon the market pricing of raw materials, I hope that serves the answer.
- Ayush Mittal:** Yes. So even considering the headwinds that the industry is facing what I am just trying to get an insight is that even in these poor times in the price of the end product are falling, do we still believe that we can maintain 16%, 17%, 18% operating margins as a sustainable thing?
- Manish Sarda:** I think so we are in that position where our efficiencies are on productions are managed in a very well fashion and to the falls of the market, we try to adjust accordingly and we try to maintain those growth levels maybe if it is 18% maybe we will not grow at 18% because overall you cannot grow, if there is no growth right.
- Ayush Mittal:** No, not the growth part Sir the operating margin part.
- Manish Sarda:** Operating margins also we will try to maintain the same levels probably maybe 1% or 2% here and there because of the markets you cannot decide where the markets are going to go right, nobody knows exactly where the markets are going to go. But we are positioned and we are efficient enough to maintain those levels. We will have impact but impact will be comparatively much lesser as compared to the peer players.
- Pankaj Sarda:** I want to comment this Ayush, if the pellet prices goes down, if the iron ore prices goes down, so the pellet prices goes down the iron ore fines prices will also go down. So I mean the sourcing of our raw material will also...
- Manish Sarda:** And if you have seen that in the last five years our EBITDA margins have been to the tune of 14% on an average basis worst-case scenario also we have maintained the EBITDA margins of 14%. So definitely I would say that we will be able to cope up with the challenges that come across.
- Ayush Mittal:** Great sir, that was very helpful. Thank you.

- Moderator:** Thank you. The next question is from the line of Sikhar Mundra an Individual Investor. Please go ahead.
- Sikhar Mundra:** Just wanted to understand what is the capital work in progress on the balance sheet as of now?
- Pankaj Sarada:** Must be I think it should be somewhere about Rs.1100 Crores plus.
- Sikhar Mundra:** Can you give me a breakup of the Rs.1100 Crores is being invested in which product and how much.
- Pankaj Sarada:** It is majorly 96 megawatt hydropower project.
- Sikhar Mundra:** And so that is the project coming up in Chhattisgarh, is that right?
- Pankaj Sarada:** No, it is in Sikkim.
- Sikhar Mundra:** So is it for, so what is your revenue potential we are expecting and is it for how much is your captive consumption like what is your plan for the project?
- Pankaj Sarada:** No, it is not here for captive consumption, it is a purely IPP, hydro power project to renewal energy project this is a renewal energy project, the power will be supplies to any state distribution utility.
- Sikhar Mundra:** And so what is the revenue potential we are expecting from this at peak utilization?
- Pankaj Sarada:** It depends upon the PPA but what we expect I think even if it is Rs.5 we should be able to somewhere garner revenue of about Rs.190 Crores.
- Sikhar Mundra:** And what is the margin potential we are expecting out of this?
- Pankaj Sarada:** The margin 90% will be EBITDA.
- Sikhar Mundra:** Alright. Thank you.
- Moderator:** Thank you. The next question is from the line of Tarang Bhanushali from Yes Securities. Please go ahead.
- Tarang Bhanushali:** Sir a few questions on the hydropower. Have we entered any PPA for the hydropower?
- Pankaj Sarada:** No, not yet.
- Tarang Bhanushali:** So, sir by what time do we expect will that happen once we commission or we are in the process of doing that?

- Pankaj Sarada:** We have started a dialogue with the potential buyer.
- Tarang Bhanushali:** Sir and what has been the recent prices in the region for this hydropower because now we are in the renewable part so again so we were expecting that the PPAs will be on the higher end so what has been the recent trend over there in the region?
- Pankaj Sarada:** In the past we have entered into PPA at Rs.5.21 for the renewable energy in Chhattisgarh.
- Tarang Bhanushali:** So Sir what are the current deals happening over there?
- Pankaj Sarada:** As of now I think renewable there is no material deal all small hydropower projects are entering into in that these are regulated prices domain it comes to about 25 megawatts, the price will not be regulated, but ultimately it should hover around that this is what we expect.
- Tarang Bhanushali:** Sir what would be the capex left for this year and what would be the equity portion for Sarda in that the parent company.
- Pankaj Sarada:** Most of the equity portion has already been contributed.
- Tarang Bhanushali:** And what is the capex left for this project now?
- Pankaj Sarada:** Capex I think maybe Rs.300 Crores.
- Tarang Bhanushali:** And Sir we were also consolidating our power projects under one roof wherein the promoter entity stake was being bought by the parent company so is that process on or we are waiting for clearances from SEBI or something?
- Pankaj Sarada:** No in that process we already started processes on and one of the power projects which will be operating that has already been basically acquired 100% by SEML and its subsidiaries. So 100% interest is owned by SEML in Chhattisgarh hydropower 24 megawatt project. For Madhya Bharat also we already applied to the lenders because it requires a certain approval from the existing lender once that approval is received we will basically acquire 100% to take in Madhya Bharat also.
- Tarang Bhanushali:** And will we follow the same in our 96 megawatt hydropower or...?
- Pankaj Sarada:** Yes, we will follow the same we already started process for that for getting approvals of the lenders and all those things.
- Tarang Bhanushali:** And Sir what would be the standalone debt and cash position currently?
- Pankaj Sarada:** Standalone debt is Rs.116 Crores a long-term debt I am talking about.

- Tarang Bhanushali:** And working capital?
- Pankaj Sarda:** Working capital total should be below I think Rs.200 Crores somewhere about it, less than 200 not even 200 less than 200 Crores.
- Tarang Bhanushali:** And Sir what would be the cash position minimum?
- Pankaj Sarda:** Cash position if you see as one is the investment is already there I think it must be about Rs.150 Crores it must be in the cash position on the standalone.
- Tarang Bhanushali:** And Sir is the equity part from the promoter group also invested into the hydropower or that is still left over there?
- Pankaj Sarda:** Which one?
- Tarang Bhanushali:** In the 96 megawatt is the promoter contribution also done on the equity side?
- Pankaj Sarda:** Yes promoter contribution has been done on equity side, know.
- Tarang Bhanushali:** Okay. Thanks a lot Sir.
- Moderator:** Thank you. The next question is from the line of Amit Kochhar an Individual Investor. Please go ahead.
- Amit Kochhar:** I wanted to know about the Chhattisgarh power project, hydropower project of 24 megawatt which is it yet to commence?
- Pankaj Sarda:** No that the one hydropower project of 24 megawatt already commenced in July 2017. Second project we will take up now.
- Amit Kochhar:** Okay, it is yet to commence.
- Pankaj Sarda:** Yes yet to commence, first one is under operation, already operating one.
- Amit Kochhar:** So all in all after 96 megawatt of expansion by March 2020, we are planning for 24 megawatt additional capacity?
- Pankaj Sarda:** Yes.
- Amit Kochhar:** Thank you Sir.

- Moderator:** Thank you. As there are no further questions, I will now hand the conference over to Mr. Tarang Bhanushali for his closing comments.
- Tarang Bhanushali:** Well, thank you all for participating and I would ask P.K. Jain, Sir do you want to give any closing comments?
- Padam Kumar Jain:** No I think we have already give whatever we wanted to say and I think most of the things have already been covered in the question and answers. We hope we have been able to reply and satisfy the questions to the best possible way, still if anyone has offline anybody can get in touch we will provide all the information. So far as summary is concerned as we told we have a diversified portfolio and integrated operations that definitely will help us in the given challenging scenario in the steel industry and we are better placed, because of low leveraging and integration.
- Tarang Bhanushali:** Thank you Sir.
- Padam Kumar Jain:** Thank you everyone.