



# “Sarda Energy & Minerals Limited Q2 FY-20 Earnings Conference Call”

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**Moderator:** Ladies and gentlemen, good day and welcome to the Sarda Energy & Minerals Limited Q2 FY20 Earnings Conference Call. As a reminder, all participant lines will be in listen only mode and there will be an opportunity for you to ask questions after the presentation concludes. If 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. Pankaj Sarda, Joint Managing Director. Thank you and over to you.

**Pankaj Sarda:** Thanks Gaurang. Good morning everyone. On behalf of the management I extend a very warm welcome to all of you to the Earnings Call of Sarda Energy & Minerals Limited to discuss performance and results of Q2 FY20. Our press release and investor presentation containing details of performance has been uploaded which you may find it pretty relevant for the performance review. We draw your kind attention to the fact that today's discussion may include some forward looking statements, 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 ongoing trade war had an impact on global economic activity, world steel production for nine month CY 19 was 1390 million metric ton up 3.9% Y-o-Y. China produced 746.8 million metric ton up 8.5% Y-o-Y. ex China production saw a de-growth to 643.4 million metric ton down 0.9% Y-o-Y. The domestic crude steel production during H1 FY20 grew 2.27% Y-o-Y from 53.91 million ton to 55.135 million ton. In the Q2 FY20 the growth is just less than 0.5% Y-o-Y, clearly reflecting downtrend in demand. The steel consumption during H1 FY20 grew by 5% to 51 million ton. However, declining demand created pressure on prices in second quarter. This also resulted in higher growth and exports over imports. The cascading effect of NBFC defaults and credit defaults in banking system also affected credit availability and private investment.

The government is proactively taking steps to boost the demand and credit flow in the economy. However, the effect of these will be seen in ensuing quarters. Prices of steel products have seen falling trends since June. Price of iron ore also have seen some easing, but still conversion margins have gone down. Ferro alloy prices are also on the downtrend. Prices of manganese were also softened but still margins have shrunk. The central government has reduced corporate income tax rates from 30% to 22%. Reducing effective tax rates from 34% to 25%, this will directly benefit the company because we were in the highest tax bracket, the benefit is reflected in the tax provision for the quarter.

Coming to operations, the company has achieved highest ever sponge Iron production of 92,515 metric tons in the quarter crossing the installed capacity for the first time. However, Q2 operating performance of power intensive products, that is steel billets, wire rods, and ferro alloys was adversely effected due to shutdown of one of the captive power plant for 25 days. For the H1 FY20 the company has achieved highest level production of sponge iron, steel billets and wire rods. This also helps in improved capacity utilization of captive power plant at

Raipur reporting highest level thermal power generation of 287 million kwh. During monsoon season operation in mine remained at low level. Based on the analysis of condition assessed during last overall Sarda Metals shut down one furnace required refractory realigning resulting in reduced operation. This affected both financial and operating performance, due to good and extended monsoon power prices in open access market remained sluggish, affecting power plant operation also. A part of the loan has been refinance at lower pricing to save on cost. Financial cost includes right off of unamortized portion of processing and upfront fee paid for refinanced loan. Delayed arrival of monsoon affected hydro power generation during the quarter, the generation was lower by 5% as compared to previous years, but the same is well covered by extended monsoon in October 2019.

**Coming to financial performance now:**

Steel and merchant power prices remained subdued during the quarter owing to demand side pressure. In the backdrop of subdued prices, the company has reported consolidated operating income of Rs.550 crore during the quarter against Rs.555 crore in the previous quarter and 591 crore in corresponding quarter of the previous year. The EBITDA stood at Rs.99 crore against Rs.121 crore in the previous quarter and Rs.115 crore in corresponding quarter of the previous year. Company has opted for reduce corporate tax rate which will give substantial current tax saving to the company on sustained basis. During H1 FY20 the company has saved cash out go of more than Rs.11 crore on current tax. Pursuant to the new tax provisions, the deferred tax liability has also been reworked this has gone down by Rs.18 crore which is one-time non-cash impact.

Projects, the construction work of the Sikkim hydro project is progressing steadily. Work was affected for some time to due to heavy rains damaging the connecting roads, this affected supply of construction material, most of the equipment except some parts have reached to site and actual work is progressing as per scheduled. The state government has approved enhancement in the capacity of the project to 115 megawatt. Terms of reference has been approved by MOEF for increase in the capacity of the project to 115 megawatt. The project is expected to be commissioned in first quarter of the next financial year. The required equity has been fully infused, the company has received LOI from a distribution utility for long term PPA.

Debt, at the standalone level the company is a net debt free company. At a consolidate level, the net debt as on 30<sup>th</sup> September 2019 stood at Rs.1267 crore. Term loan repayable within the next one year is Rs.89 crore, the debt equity ratio is below one. The outlook, with the end of monsoon season construction activity is expected to pick up, government spending on infrastructure projects, will boost steel demand. Interim trade agreement between USA and China will also be a positive for the global economy in general and steel industry in particular. With the normalization of power plant operations, the production in all the plants is also expected to be higher than first half. Due to elongation of monsoon the hydro power generation

will also be higher during current quarter and financial year. Next financial year we will see growth in revenue and EBITDA on account of commissioning of the Sikkim hydro power project. This is all about the performance and outlook. Now we leave the house open for questions from the participants. Thanks.

- Moderator:** Thank you very much. We will now begin the question and answer session. The first question is from the line of Vikas Singh from Phillip Capital. Please go ahead.
- Vikas Singh:** Sir would it be possible for you to quantify the losses because of this power plant shut down and the production impact because of the factory realigning?
- Pankaj Sarda:** Very difficult but we can definitely work out and let you know, not available immediately.
- Vikas Singh:** So that's why our product mostly towards sponge we have sold less of the wire rods and billets?
- Padam Kumar Jain:** Yes.
- Vikas Singh:** Has the situation normalized or it's still more or less similar because of the extended monsoon or so?
- Pankaj Sarda:** Fully normalized.
- Vikas Singh:** Okay. And sir if may can give us the product specific realization which previously you used to share like pellets, sponge, billet realization for this quarter?
- Padam Kumar Jain:** The pellet sale realization was about 6,500, sponge iron it was 16,300 steel billet it was 29,000 wire rod 34,000 and wire 36,500.
- Vikas Singh:** Okay. And sir how is the current prices vis-à-vis this last quarter because I believe most of the correction would have the impact of that come with a lag effect for this quarter?
- Pankaj Sarda:** Yes, there has been a further maybe fall in the steel billets average realization was 29,000 now it is in the range of present prices are in the range of 26,500 or so. That is materially impacted rest I think in pellet also the average relation was 6500 now prices are hovering around 5800
- Vikas Singh:** Okay. And sir my one more question with regards to your Sikkim project. So, when the project capacity has been raise to 115 megawatt in terms of CAPEX intensity has anything changed or more or less we would be able to do in the same CAPEX?
- Padam Kumar Jain:** No, it will be within, the increase in capacity will not materially affect the CAPEX. It was major expenditure on the civil side so that we already built in while designing it.

- Vikas Singh:** Okay, sir just one clarification in your presentation you have said that Sikkim project to be commissioned in FY20 but in commentary I believe that Mr. Sarda has noted that it is doing to commission next year?
- Pankaj Sarda:** In the first quarter, initially we had projected for FY20 it is explained in our call conversation there were some delay on account of excessive rains. So that has affected some work progress.
- Vikas Singh:** Sir so what percentage of work is completed because this project has been delayed for many times. So, just wanted to understand how confident you are that on 1Q FY21 you would be able to commission the project?
- Pankaj Sarda:** Now we are on the end of the completion of the project. So that is already been proved. Because now this lining work etc. is going on and some erection work is going on. So now it can't vary materially it cannot.
- Vikas Singh:** Okay, and sir just one last question if I may ask. Sir this LOI for the long term PPA which we have received, if you can just explain a little bit more that the number of years or the pricing which we are looking for etc.?
- Pankaj Sarda:** No, pricing will be determined by the regulator commission these are basically approved by the regulator.
- Vikas Singh:** Okay so any expectation of us?
- Pankaj Sarda:** Simply if you see now because it has become a renewable energy project. So, in normal course also you will get whatever rate is approved on the worst case scenario you consider although it will be based on the project specific approval. So it will be on the higher side but as a conservatively also if you consider it will be basically average full cost and REC cost. So in any case that should not be less than INR 5.50 or somewhere INR 5.50 to 6.00.
- Vikas Singh:** Okay. And sir how much we have spent till date on Sikkim?
- Pankaj Sarda:** Sikkim I think we have spent more than 1200 crore approximately.
- Vikas Singh:** So what is the remaining CAPEX which we expect to do in the next one year?
- Pankaj Sarda:** Remaining CAPEX is somewhere about 250 crore.
- Moderator:** Thank you. The next question is from the line of Tarang Bahnushali from Yes Securities. Please go ahead.
- Tarang Bahnushali:** Yes, sir what would be the ferro alloy average realization and do you think that we will see some pullback in this price in the near term?

- Pankaj Sarda:** Prices in the last quarter for ferro manganese was 73,000 and in case of silico manganese it was 67,000.
- Tarang Bahnushali:** Okay, and do you think that things will reverse?
- Pankaj Sarda:** 60% and 65% of silico manganese there cannot be a direct representation on the price side because what average realization is basically for a multiple grid. If you go for the 60 grade domestic prices will definitely soften present prices are somewhere about 58,000. And raw material prices also corrected substantially. MOIL has also reduced prices from this month 20 to 25% in the raw material cost.
- Tarang Bahnushali:** Okay. So do you think that demand for the ferro alloys is increasing from China or some things or we are just flat on the Y-o-Y?
- Manish Sarda:** First of all China does not import anything from India and seeing sluggish markets on the export side, but I think the Indian demand looks to be good once the season sets in, and we will see some pullback maybe in January and February. December basically will be a slack period because of holidays. But from January onwards we'll see some pullback in demand as well.
- Tarang Bahnushali:** Sir, I think last concall we had mentioned that South African power prices were going up and we will see some impact over there. So, are we witnessing some production cuts over there or still supplies are normal?
- Manish Sarda:** South Africa predominantly produces ferrochrome and there are two plants which produce basically manganese alloys. Because of the power price increase we have seen shutdowns in trans alloys and also in the met alloys plant of South 32. And they out of their five furnaces they are only running one furnace so four furnaces have been shut down there as well. What has happened, in India also we have seen a lot of shutdowns as subsidies are going away now in states like Andhra and it's only a matter of time when the steel demand picks up and the steel production picks up. We'll see some growth coming in.
- Tarang Bahnushali:** Okay. Sir on the hydro power plant we were looking to raise our capacity. So, where are we on that front?
- Pankaj Sarda:** No second unit of the 25 megawatt we will start work on the project by the end of current financial year it will take three, three and a half years to complete the project. And this one project is already nearing completion as you are aware of.
- Moderator:** Thank you. The next question is from the line of the Dhaval Shah from Girik Capital. Please go ahead.
- Dhaval Shah:** So this Sikkim is under Madhya Bharat Power Corp Limited, am I correct?

- Pankaj Sarda:** Yes.
- Dhaval Shah:** So from FY21 roughly what sort of numbers should we model in from this company and what will be the tax rate?
- Padam Kumar Jain:** Taxation will not be there for the initial years. Normal there is no exemption norm for any, all the income tax incentives have been withdrawn so normally it will be subject to normal tax rate but because of higher depreciation and tax incentives so it will take time to have the tax outgo.
- Dhaval Shah:** Okay, so in terms of the operating profit, how much should we build in?
- Padam Kumar Jain:** Ultimately, it will depend finally what price is approved by the regulator.
- Dhaval Shah:** So, assuming whatever estimate you have which you have been sharing regularly?
- Padam Kumar Jain:** Assuming the say generation of 390, 400 million and may safely assuming the tariff of INR5.50 you can consider that way.
- Dhaval Shah:** Okay. And sir the expansion you mentioned is it in the same company?
- Padam Kumar Jain:** No, it's in different company. Chhattisgarh hydropower power LLP where we already have one plant.
- Dhaval Shah:** Correct that Gullu plant 24 megawatt.
- Padam Kumar Jain:** Now here we are putting up one more unit.
- Dhaval Shah:** Okay, fine so that will come after another three years now?
- Padam Kumar Jain:** Yes.
- Dhaval Shah:** Okay. So the cash flow will start in Madhya Bharat and they also are coming at another company. So how do we get those cash flows in our holding company and then distribute them. So what is the, because a large chunk of cash flow will start accruing given the size of the project. So what is the thought process of the management on that?
- Padam Kumar Jain:** No, so far as Madhya Bharat Power Corporation is concerned initially it will go in servicing it's own basically obligations. Surplus that maybe used even for say creation of DSRA or maybe reduction of the debt in the Madhya Bharat itself so that is independent power and Chhattisgarh hydro definitely whatever generation is coming in that will be used for expansion project.

- Dhaval Shah:** Okay. So cash flow will remain within that company?
- Padam Kumar Jain:** Within that company.
- Dhaval Shah:** Okay.
- Padam Kumar Jain:** At least for next three to five years.
- Dhaval Shah:** Okay, after five years correct. And how much of Madhya Bharat is owned by Sarda Energy 80%?
- Pankaj Sarda:** Somewhere yes.
- Dhaval Shah:** Somewhere 80%. And which quarter do we say this numbers coming in, that will be in the second quarter or third quarter because as per the rains it will depend right?
- Padam Kumar Jain:** Yes, second quarter.
- Dhaval Shah:** Okay So Q2 FY21 you will see the numbers of the Sikkim plant?
- Padam Kumar Jain:** Yes.
- Dhaval Shah:** Correct. And the trial runs you said you will start from March?
- Padam Kumar Jain:** It won't take much of the time in case of hydropower project plant and commercial does not take much of the time. It may be of few days.
- Dhaval Shah:** Okay, but now we are very much certain that we will see revenues coming in second quarter FY21?
- Padam Kumar Jain:** Yes.
- Dhaval Shah:** Got it. And sir any thoughts on the demerger of the creating a separate entity for, which will house all our power assets any thoughts on that?
- Padam Kumar Jain:** Yes, that will be only basically after completion and commissioning of this project.
- Dhaval Shah:** After commissioning of this Sikkim project?
- Padam Kumar Jain:** Yes.
- Dhaval Shah:** So after that you will think, so that will house the power business in one company?
- Padam Kumar Jain:** Yes.

- Moderator:** Thank you. The next question is from the line of Ayush B from Equitas Investment. Please go ahead.
- Ayush B:** Sir so about on a pellet 2 lakh tons clearance have you received it?
- Padam Kumar Jain:** Not yet received, it is in process.
- Ayush B:** So when do we expect because I guess it has been already delayed quite a bit?
- Pankaj Sarda:** No, because of the recent NGT order. They have requested all the state governments to review the same and give their thought process on it. So because of that all the environment processes in the states and India are delayed. The delay is just because of the new order of NGT and the concerns that the NGT has raised. So we are already in touch with MOEF and all the concerned people. They don't have any clue by when all the states will give. It looks like there is a delay of three months.
- Ayush B:** Okay. And sir on ferro alloy subsidiary. So what was the production increase numbers during the quarter?
- Padam Kumar Jain:** Pardon?
- Ayush B:** Subsidy production and sales number for ferro alloy?
- Padam Kumar Jain:** For the quarter?
- Ayush B:** Yes, for the quarter because earlier you used to give a breakup of standalone and subsidiary for ferro alloys?
- Padam Kumar Jain:** Quantity you're asking for?
- Ayush B:** Yes, sales quantity right.
- Padam Kumar Jain:** About 17,000
- Ayush B:** 17,000 is the sales?
- Padam Kumar Jain:** These are the metal.
- Ayush B:** So it is the sales volume or the production volume?
- Padam Kumar Jain:** Sales volume.
- Ayush B:** And production would be?

- Padam Kumar Jain:** Production is also almost maybe slightly lesser almost same level.
- Ayush B:** Okay. So Sarda Metal ferro alloys have performed decently well during the quarter like the EBIT margins have been stable. So, in spite of the realizations coming down so, any particular reason for that?
- Padam Kumar Jain:** No, basically more or less there is some improvement in the performance definitely. Consistently they've been supplying so have pipeline of orders also there.
- Ayush B:** Right. So, this is complete export oriented unit right?
- Padam Kumar Jain:** Not completely export oriented, a substantial part in going in the domestic market also.
- Ayush B:** So, who are our domestic market clients?
- Padam Kumar Jain:** In domestic we are supplying to even steel authority is one of the major players. That is one player otherwise there are others who also we are supplying, we are supplying even to Bhushan Steel which now Tata's they have taken. Electro Steel is one of our buyers so we have been supplying to different clients. We supply to Jindal Steel is there all big players are there we have been supplying to all the big players, Essar Steel is there.
- Ayush B:** Okay. So, in ferro alloy as a whole what would be our export contribution and domestic contribution like percentage wise?
- Padam Kumar Jain:** Domestic contribution might be around 50-50 on ferro alloy. Slightly higher than 50 in domestic in totality if you see.
- Ayush B:** Okay. So for ferro alloy sector as a whole which has been facing pressure from the past one or two quarters because the realization are significant have come down and even our raw material prices have come down. So, when do we think things should pick up in the sector?
- Padam Kumar Jain:** Sector pickup?
- Ayush B:** Yes, like the demand growth.
- Manish Sarda:** As I said, I think we will see a little bit of pullback in January, February. Before that, I don't think so there will be any pull up because December being a holiday season. Most of the people are already covered. So we'll see some pull back in prices and probably price corrections in January and February.
- Ayush B:** Okay, so a manganese or the raw material where do we source it from?

- Manish Sarda:** We are sourcing from Australia, we are sourcing from South Africa we are sourcing from little bit, we are sourcing from Brazil.
- Ayush B:** Okay, so completely imported.
- Pankaj Sarda:** Yes. And we are also sourcing from MOIL in domestic sector. We have a good mix of raw material.
- Ayush B:** Right. So now that MOIL has reduced its price significantly by 20, 25% do we expect to benefit from them in the quarters going ahead?
- Manish Sarda:** Selling prices have also come down. So, as manganese prices come down and more or less we are seeing a little bit further reduction from MOIL in the next month we are seeing another 5% or 6% maybe reduction in some manganese ore grades not in all grades, but in some grades.
- Ayush B:** Okay. On our hydropower side, so what was the EBITDA that we generated from a 24 megawatt and 4.8 megawatt hydropower plants in H1?
- Padam Kumar Jain:** We have generated EBITDA of about 16 crore.
- Ayush B:** From both plants together 24 plus the 4.8?
- Padam Kumar Jain:** 24 megawatt.
- Ayush B:** And the 5 megawatt?
- Padam Kumar Jain:** I am talking about this 24 megawatt.
- Ayush B:** 16 crore.
- Padam Kumar Jain:** We have an EBITDA of about 3.5 crore.
- Ayush B:** Okay, so on the 5 megawatt?
- Padam Kumar Jain:** Yes.
- Ayush B:** So total would be around 20 crore?
- Padam Kumar Jain:** Yes.
- Ayush B:** And sir our Sikkim plant so do we expect the EBITDA margin, the overall realization in our Sikkim plant to be better compared to our Chhattisgarh plant?

- Padam Kumar Jain:** Yes, realization should be more or less slightly better than because now we will be in two years gap is there so then whatever price increase is there that benefit will be available for the Sikkim plant.
- Ayush B:** Correct. So for the Sikkim plant can I assume for the full year EBITDA generation of 150 crore?
- Padam Kumar Jain:** Yes, comfortably.
- Ayush B:** Okay. So also going ahead almost 200 crore EBITDA will be generated from our hydropower plant right?
- Padam Kumar Jain:** Yes.
- Moderator:** Thank you. The next question is from the line of Sunil Jain from Nirmal Bang. Please go ahead.
- Sunil Jain:** Sir this is again related to your Sikkim plant which is expected to start. Sir how confident are you to get the rate of over Rs.5 in that power plant. My question is coming from like when the solar and all are available at 2.5 why utility will buy at such high rate?
- Padam Kumar Jain:** If you are aware government has separately carved out hydropower obligation. There was a time when solar was selling at Rs.12, still other power was available at Rs.3 and still solar was being purchased at Rs.12. So its' a totally different segment and with the increased share of the solar in the grid system, the requirement of hydropower has gone up because hydro only will fill up the gap during the peak hours. Solar will be out during evening peak hours, thermal will be day and night more or less it will be at consistent load. So, whatever gap will be there because of the solar going out of the system hydro is the only thing which will fill up this gap. So considering all these factors government has come out with a separate obligation for purchase of hydropower. So, irrespective of other power cost there will be a separate segment for hydropower.
- Sunil Jain:** Okay. So any recent deal which has happened at these rates, which you can?
- Padam Kumar Jain:** I think after this notification of this renewable energy for large hydropower projects no deal has been signed to my notice and prior to that renewable energy projects last we have signed a INR 5.21 two years back. Two years back that price were also based on that, I think the CERC has changed most of the coding back to that working also it will be more than Rs.5.50.
- Sunil Jain:** Okay. And in our other plant of 25 megawatts of hydropower, that is up to how long is the PPA, for how many years?
- Padam Kumar Jain:** I think that is for 35 years.

- Sunil Jain:** Okay, 35 year. And here also we will be targeting long term PPA only?
- Padam Kumar Jain:** Yes, definitely at least for the 15 to 20 years minimum size.
- Sunil Jain:** And how is the seasonality in Sikkim for this hydropower?
- Padam Kumar Jain:** Seasonality will be there, but the full rain period will be higher than Chhattisgarh. But definitely, post October, November there will be fall and then after March only, until March, April generation will be lower. In Chhattisgarh if you get the three to four months of the full generation there you may get five to six months.
- Sunil Jain:** And you mean to say this June to September where you want to start the plant so that will be a peak period?
- Padam Kumar Jain:** June to October.
- Sunil Jain:** June to October is the peak period?
- Moderator:** Thank you. The next question is from the line of Anurag Patil from Roha Asset Managers. Please go ahead.
- Anurag Patil:** Sir can I have EBITDA per ton figures for the steel business for current quarter and last quarter and similar quarter last year?
- Padam Kumar Jain:** EBITDA definitely if you see EBITDA on the pellet side it was somewhere in the range of 1200 during the quarter two. And for sponge iron it is somewhere in the range of Rs.1000 in that EBITDA was almost negligible it was more or less at par because billet prices have gone down, recently it is improved now. Then wire rod EBITDA was in the range of 2000, wire 1500, and silico manganese in the range of 4000 to 5000.
- Moderator:** Thank you. The next question is from the line of Siddarth Oberoi from Prudent Equity. Please go ahead.
- Siddarth Oberoi:** So, what is the breakeven of the Sikkim hydro project?
- Padam Kumar Jain:** Breakeven if we get somewhere about Rs.4.50 plus we will be able to breakeven.
- Siddarth Oberoi:** The number of years, how much time would that take?
- Padam Kumar Jain:** We have taken the loan for 15 years.
- Siddarth Oberoi:** No which is okay, but there was a cost overrun in this project right?

- Padam Kumar Jain:** Yes.
- Siddarth Oberoi:** So, my point is when will this start accruing profit after tax, when will that start to accrue?
- Padam Kumar Jain:** It should be able to start generating profit after tax maybe after two years.
- Siddarth Oberoi:** After two years?
- Padam Kumar Jain:** Yes.
- Siddarth Oberoi:** And when does the repayment start? Repayment of loan?
- Padam Kumar Jain:** Repayment start after one year of moratorium.
- Siddarth Oberoi:** Okay, so basically after two years you are expecting that after tax it will be positive?
- Padam Kumar Jain:** Yes, but depreciation is there for servicing of the debt that should not be a problem.
- Siddarth Oberoi:** Yes, but can you quantify how much would be the depreciation from let's say the first financial year?
- Padam Kumar Jain:** Depreciation can straight away maybe I think it should be somewhere about 50 crore.
- Siddarth Oberoi:** And what about the interest cost?
- Padam Kumar Jain:** Interest cost will depend basically what happens after completion of project totally it is refinanced at a different rate. Project construction period interest it should be refinanced somewhere about 9 to 10% somewhere in between.
- Siddarth Oberoi:** Okay, because in the last concall you have said that?
- Padam Kumar Jain:** 90 crore will be basically interest in the first year.
- Siddarth Oberoi:** So 90 and 50, 140 goes into depreciation and interest cost right?
- Padam Kumar Jain:** Yes.
- Siddarth Oberoi:** But then the rest will be PBT?
- Padam Kumar Jain:** Pardon?
- Siddarth Oberoi:** So actually what I am trying to understand is that, you are going to generate about 180 crore EBIT from this project?

- Pankaj Sarda:** Yes, more than that it should be more than that.
- Siddarth Oberoi:** Okay. let say 200 crore of which 50 crore goes into servicing of depreciation and 90 goes into?
- Padam Kumar Jain:** It depends on the revenue maybe 180 crore of the EBITDA.
- Siddarth Oberoi:** Okay, 180 is the EBIT and then from this you are talking about 90 crore as interest cost, 50 crore as depreciation, now 40 will be left as a PBT?
- Padam Kumar Jain:** Yes.
- Siddarth Oberoi:** So there will be a tax in the first year right?
- Padam Kumar Jain:** No, means basically income tax rates are different, as income tax purpose there are different rates.
- Siddarth Oberoi:** So 40 crore can be accrued from the first year as PBT right?
- Moderator:** Thank you. The next question is from the line of the Dhaval Shah from Girik Capital. Please go ahead.
- Dhaval Shah:** Sir the interim cost should be around 50 crore, we don't have debt even if you count it at 10%?
- Padam Kumar Jain:** It will be debt of 900 crore.
- Dhaval Shah:** Okay, so 900 crore is debt in that Madhya Bharat?
- Padam Kumar Jain:** Yes, will be on completion not today.
- Dhaval Shah:** Okay. And I didn't understand the pervious participant was asking that PBT will come so do you think from income tax point of view it won't be that positive what do you say?
- Padam Kumar Jain:** Yes, initially you get extra in income tax, depreciation, etc.
- Dhaval Shah:** Okay. So there won't be a tax outgo?
- Padam Kumar Jain:** There may be slight tax outgo on the MAT side, there may be some MAT that also depends how finally these structures and there may be initially maybe for six months or so you may not be able refinance so initially they may be in the first year there might be some extra interest cost. It always happens in case of hydropower project so these refinance at different rates after completion and that has been.

- Dhaval Shah:** So from first year 100 crore cash flow will be there, post paying your interest your cash flow will be more than 100 crore?
- Padam Kumar Jain:** If it's not 100 it will be 85 or 80 it's fine.
- Dhaval Shah:** Okay. And what will be our first installment amount of the principal amount in the second year?
- Padam Kumar Jain:** That we have to check, would request you to come offline, immediately I don't have the figures. If we distribute that in 15 years and that is also structured so it won't be material.
- Dhaval Shah:** Okay. So there won't be much debt in this company. So debt repayment will be there?
- Padam Kumar Jain:** Yes, debt will keep on reducing.
- Moderator:** Thank you. As there are no further questions, I now hand the conference over to Mr. Pankaj Sarda for closing comments.
- Pankaj Sarda:** Thanks a lot everyone for patient hearing. So as you know because of the extended monsoon both the hydro projects will achieve the target production capacity. And in fact the figure that are coming. It shows that there will be record production in both the projects. And looking at the steel scenario, post monsoon things look better in the coming quarter. Thanks a lot.
- Moderator:** Thank you. Ladies and gentlemen on behalf of Sarda Energy & Minerals Limited that concludes this conference. Thank you for joining us and you may now disconnect your lines.