



Q3 & FY19 RESULTS PRESENTATION

February 2019





DISCUSSION SUMMARY



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COMPANY OVERVIEW





Health and Safety

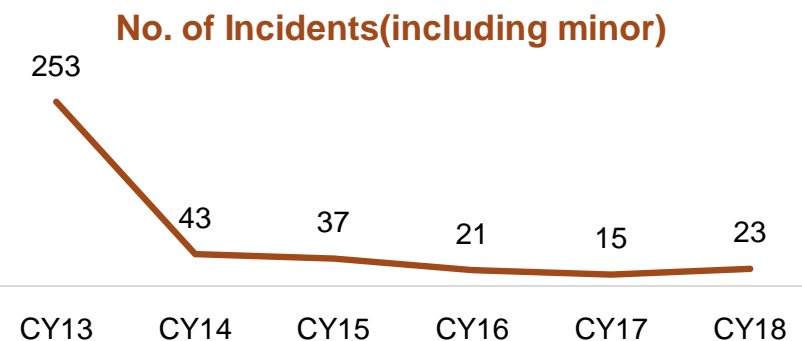


Assets & Operational Details

- 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 ensure that workers keep in good health
- The incident rate (including minor injuries) has seen a declining trend over past few years
- All employees at the plant have to go through training on safety measures 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 has set up first-aid facilities in the villages surrounding its mines
- It has extended financial assistance to Bhartiya Vidya Bhawan and R K Sarda Vidhya Ashram for school buildings / operations





Key Milestones



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

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

Installed 10 MT electric arc furnace in 1981 to produce ingots

Installed continuous casting machine in 1984 for billets production

1989-99

1999-08

4.8 MW Hydro power plant operationalised 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

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. Commenced iron ore extraction from the mines in 2004

2008-18

Post 2018

Steel plant capacity to be increased by 50% in FY19

Commissioning of 96 MW Hydro Power plant located in Sikkim in FY20 and 24 MW plant located in Chhattisgarh in FY22



Company at a Glance



Operations

Financials

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 with Government push towards clean energy

Hydro Power

Background

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

Sustainable Growth

Production has grown profitably in the last few years across segments

Low Gearing

Leverage is one of the lowest in the sector
Debt to Equity stands at 0.83 in FY18, lower than 0.95 in FY17

Financial Performance

Revenues grew at 21% CAGR over last two years. EBITDA grew at 45% CAGR over the same period



FY18 – A Landmark Year in Sarda History

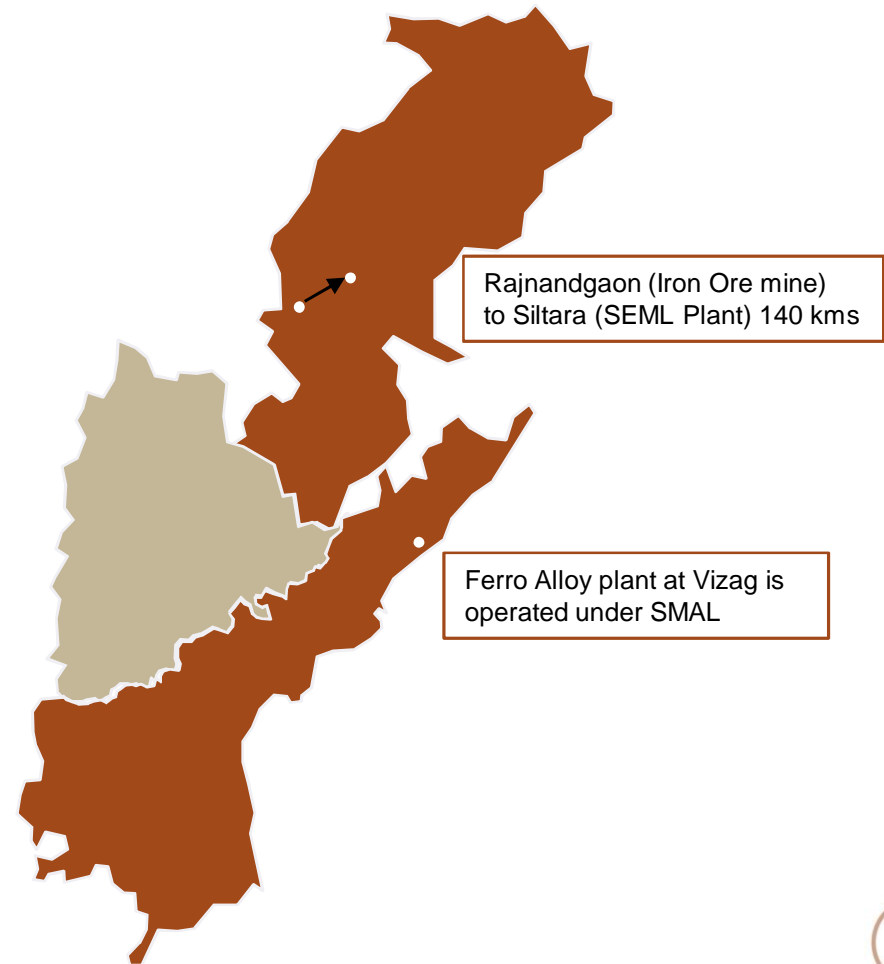
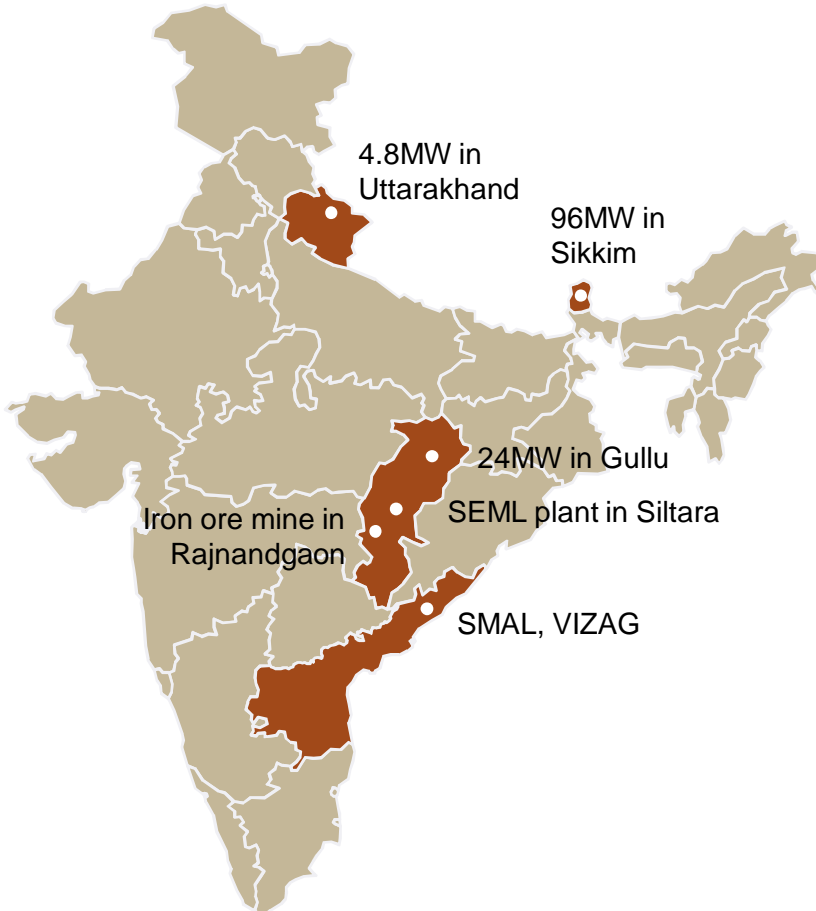




Business Operations: Geographical Footprint



Lower transportation costs due to close proximity to raw materials and end users





Product Offerings



Business	Offerings		Demand Drivers
Steel	<p>Iron Ore</p> 	<p>Pellet & Sponge Iron</p> 	<p>Infrastructure & Urban development</p>
	<p>Billet</p> 	<p>Wire Rod & HB Wire</p> 	<p>Housing for All Construction demand</p>
Ferro – Alloys	<p>Silico Manganese</p> 	<p>Ferro Manganese</p> 	<p>All types of steel, demand aligned to increase in steel demand Requirement is higher in manufacturing alloy steel</p>
Hydro Power			<p>Government's push towards clean energy To meet peak power demand Hydro power is more viable option in difficult terrain with limited sunlight and wind availability</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 an 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 & 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 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



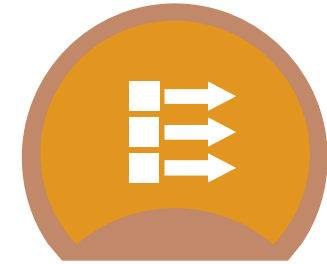
Experienced Board

60% independent directors with diverse experience who play an important role in policy decisions and strategy making



Employee Engagement

Clear thought process on business and alignment of employee goals with the management vision



Values

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



Transparency

Transparency in all company matters to build an organisation with rich moral values



Corporate Policy

All crucial operational decisions are taken in adherence with the company's policy



Shareholder Wealth

The company strongly believes in rewarding shareholders, dividend has been paid consistently since FY04



**BUSINESS
OVERVIEW**



Steel Business: Industry Overview



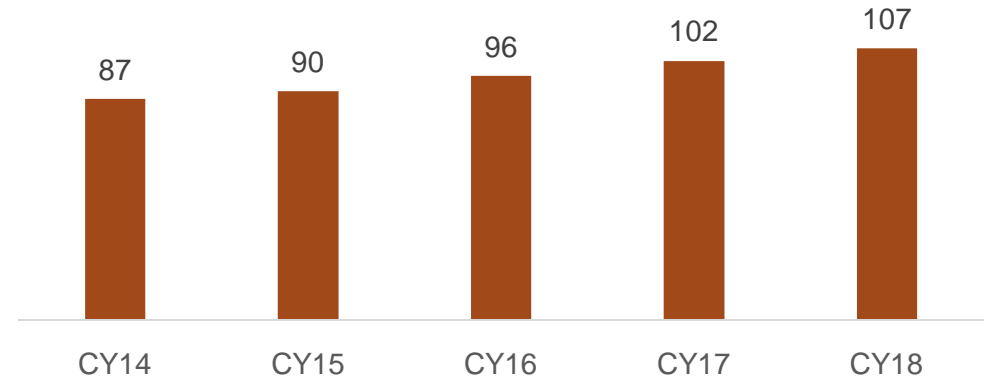
Sector Overview

- India became the 2nd largest crude steel producer in 2018, as large public and private sector players strengthened steel production capacity in the view of rising demand
- India is the largest producer of Direct Reduced Iron (DRI) or Sponge Iron worldwide
- The steel sector contributes over 2% to the Indian GDP
- India's per capita consumption of steel grew from 59.6 kgs in FY14 to 68 kgs in FY18

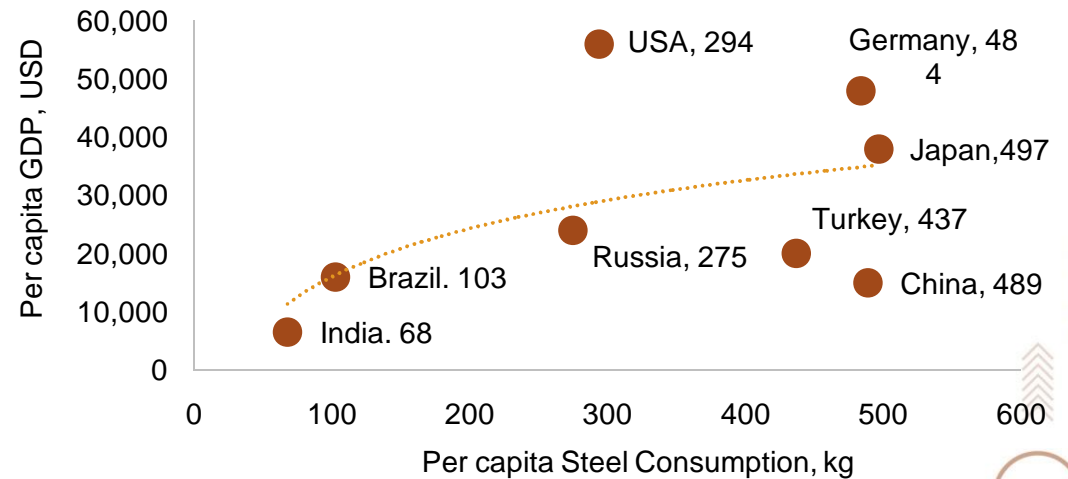
Future Growth

- 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's Crude Steel Production (Mn Tonnes)



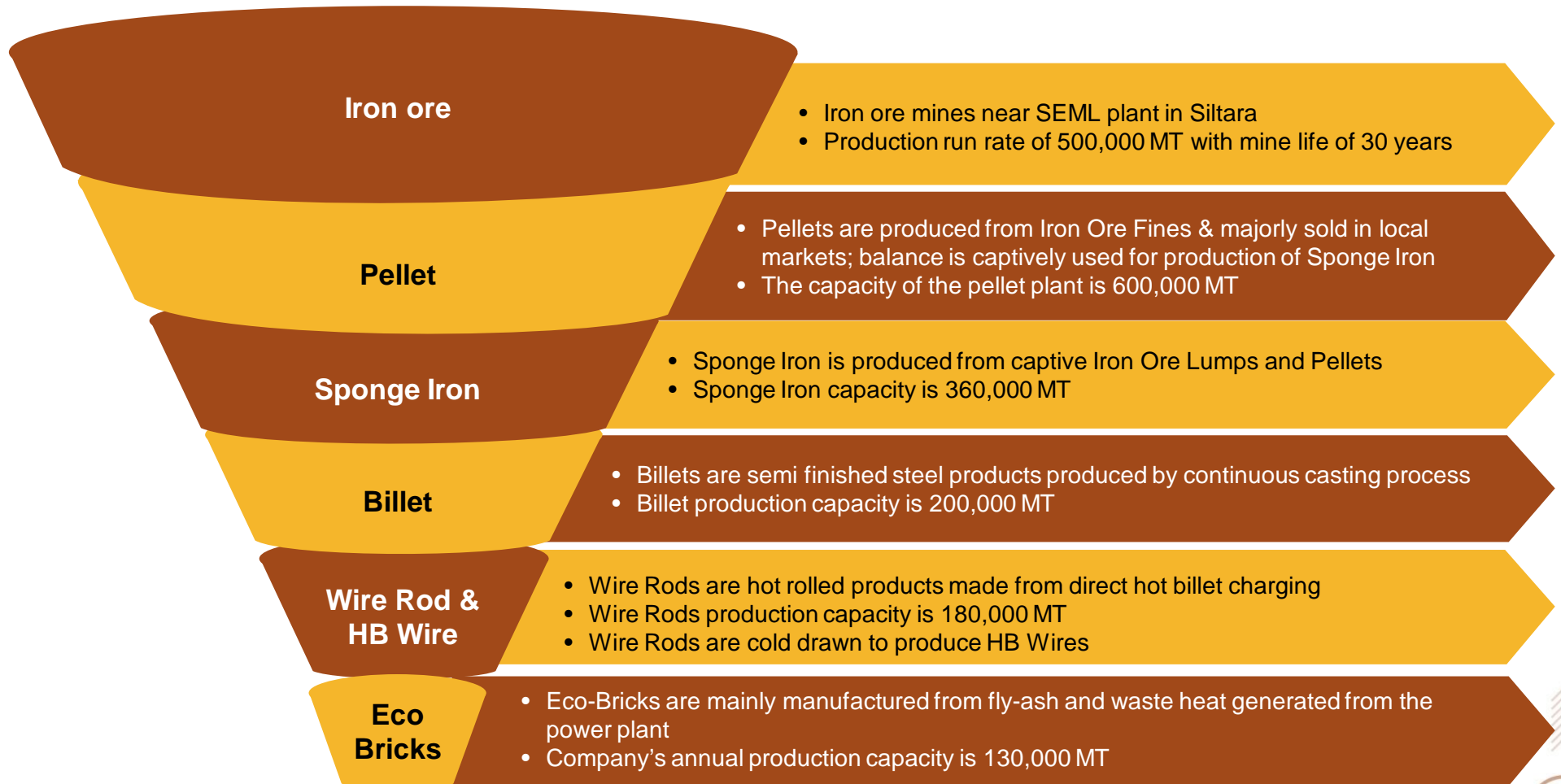
World Steel Demand Intensity



Source: IBEF; FICCI report, WSA



Steel Business: Product Offerings





Steel Business: Iron Ore

Assets & Operational Details

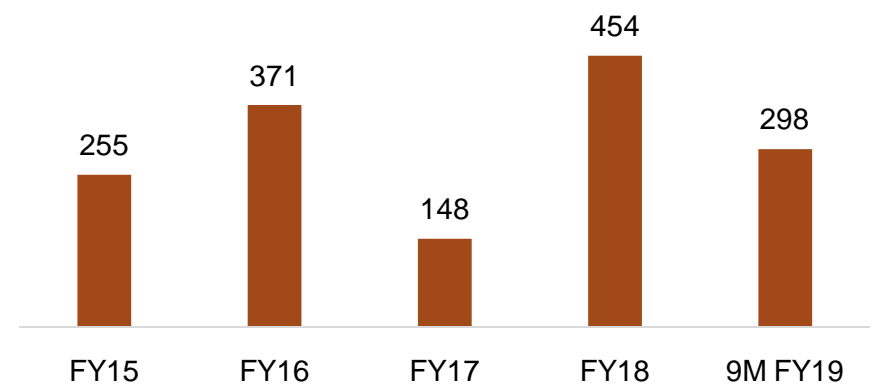
- Company's operational Iron Ore mine has potential reserves of 18 Million MT and annual production output of 400,000 MT *
- Semi-mechanised mine commenced operation in 2004
- Iron ore business act as a feeder to Pellet & Sponge Iron Plants
- Highest ever Iron ore production in 9M FY19 of 297,648 MT

Future Strategy

- Iron ore production will be increased up to 500,000 MT in FY19 based on requirement from Sponge and Pellet plant
- Further mines allotted in Chhattisgarh with estimated 240 Mn tonnes of reserves, further clearances in process



Iron Ore Production ('000 MT)



* Production run-rate at the end of FY18 at 500,000 MT



Steel Business: Pellet & Sponge Iron



Pellet

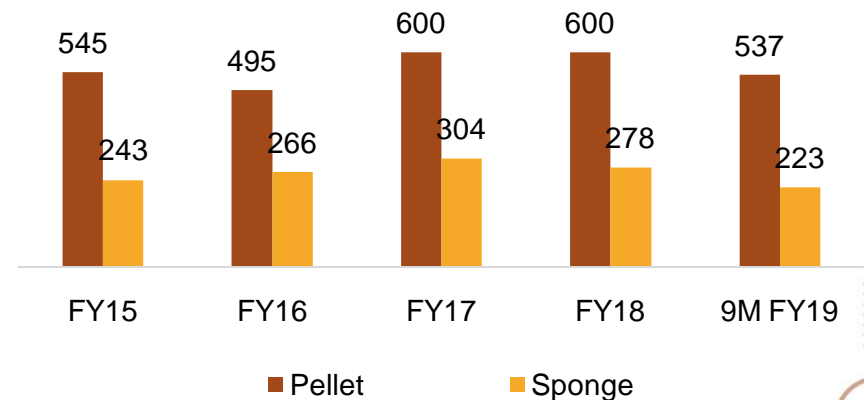
- Current production capacity of 600,000 MT
- 65% of the production is sold externally and remaining is processed internally for further downstream production
- Expansion of capacity to 800,000 MT is expected by end of FY19 (currently environmental clearance under process)
- Pellet consumed as raw material by local sponge iron plants
- Started exports during the year



Sponge Iron

- Current production capacity of 360,000 MT
- Since India has ample supply of thermal coal, sponge iron is the preferred route of steel making
- 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 ('000 MT)





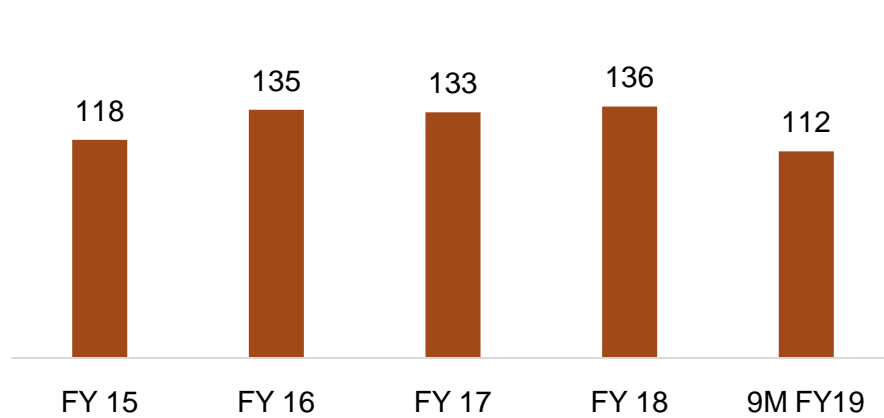
Steel Business: Billet

Billet

- Current production capacity of 200,000 MT
- 15% of the production is sold externally, remaining is processed internally for further downstream production
- The company plans to expand steel billet capacity to 300,000 MT by end of FY19
- Well positioned with complete back end integration to enhance capacity



Billet Production ('000 MT)





Steel Business: Wire Rod and HB Wire

Wire Rod

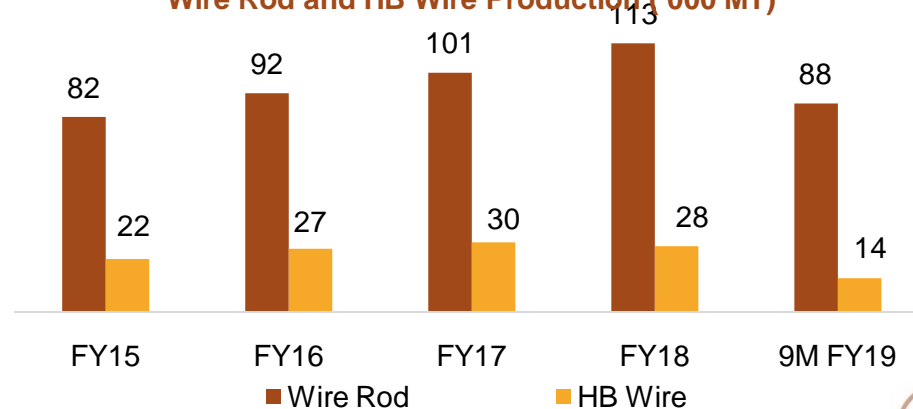
- Current production capacity of 180,000 MT, with capacity utilization of over 60%
- Wire Rod is a hot rolled product made from hot charged Billets
- High strength products offered at reasonable price in the local markets
- Wire Rod is sold to local markets, hence minimum expense on logistics
- The company has exported Wire Rod for the first time in FY18
- 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 MT
- HB Wire are cold drawn from Wire Rod and sold on different specifications, sold to local markets in Chhattisgarh



Wire Rod and HB Wire Production ('000 MT)





Ferro Alloys: Industry Overview



Sector Overview

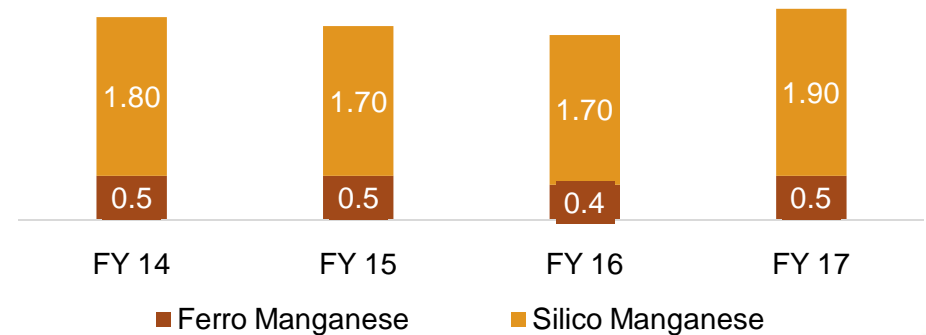
- Ferro Alloys are vital additives for steel manufacturing
- Ferro Alloys enhance the strength of the steel and act as a de-oxidant in steel manufacturing
- Approximately 1.5% of Manganese Alloy is required to produce every tonne of steel

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 \$188.7 Billion by 2025
- The growth in the steel sector will drive the demand for Ferro Alloys



India's Ferro Alloys Production (Mn Tonnes)



Source: CRU India and IFAPA



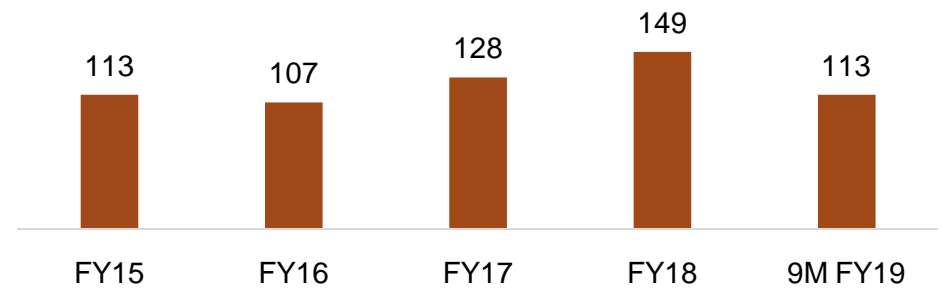
Ferro Alloys Business



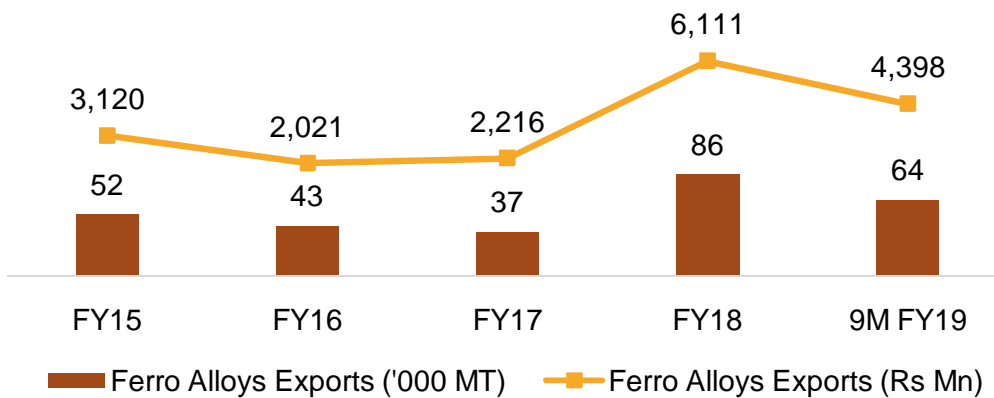
Ferro Alloys

- 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 are sold domestically as well exported to other countries
- Company received the prestigious export promotion council award in 2018

Ferro Alloys Production ('000 MT)



Ferro Alloys Exports ('000 MT)



- SEML and 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 37,238 MT in FY17 to 86,183 MT in FY18

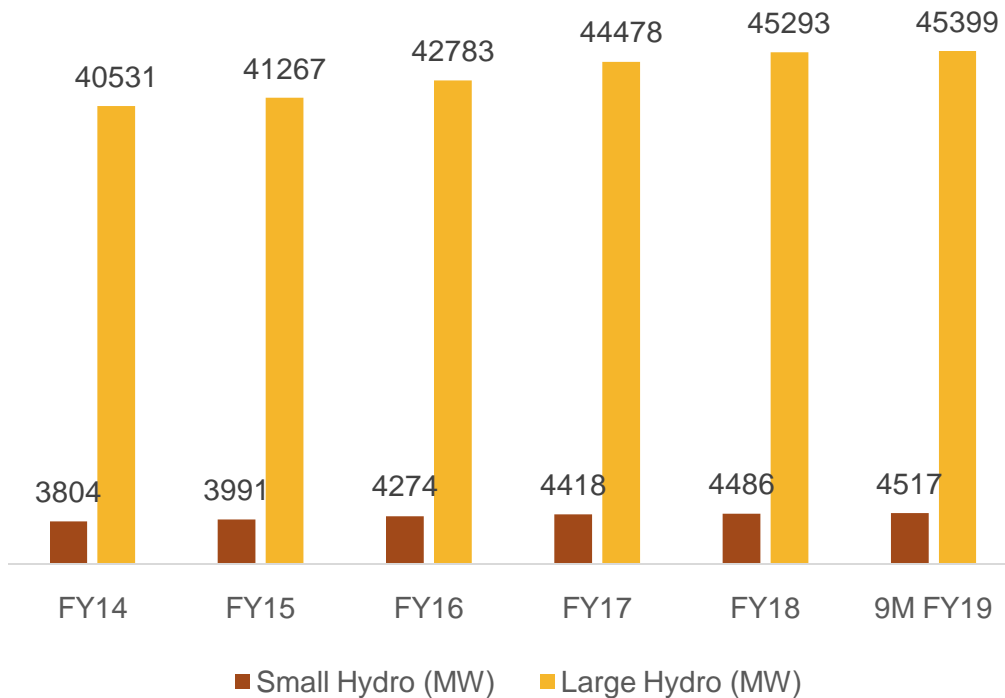




Hydro Power Business: Industry Overview



India's Hydropower Capacity



- Government of India has set a target of adding 175 GW of renewable power in the country by 2022
- Government has earmarked \$250 Billion for renewable energy over next 5 years
- Discoms are mandated to procure 15% of energy units from renewable sources by FY20
- India's small Hydro power installed capacity has grown from 3,804 MW in FY14 to 4,486 MW in FY18
- India's large Hydro power installed capacity has grown from 40,531 MW in FY14 to 45,293 MW in FY18
- India is committed towards reducing its carbon footprint, aiming to reduce its carbon emissions by 33% - 35% from 2005 levels by 2030
- Under Union Budget 2018-19, \$ 581 Million has been allocated for grid-interactive renewable energy schemes and projects

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

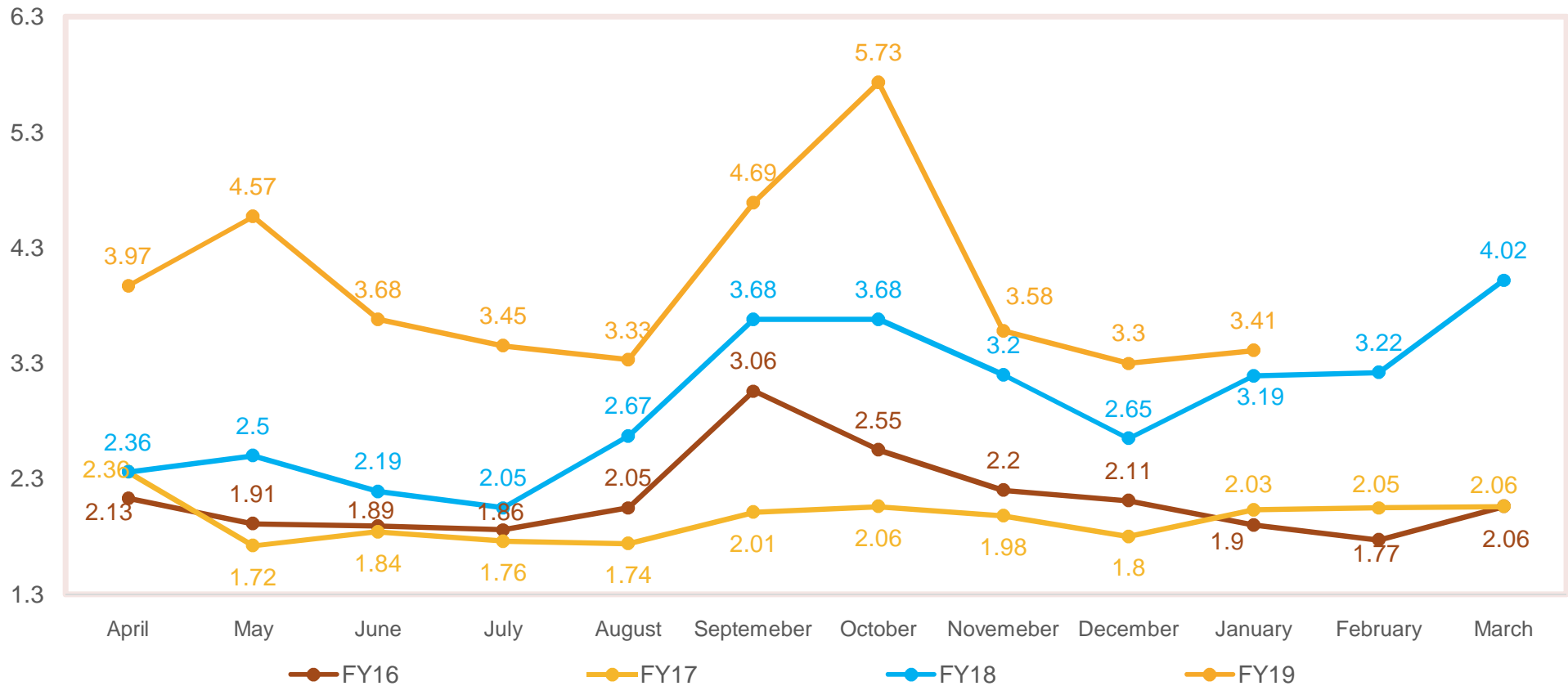
Source: MNRE, CEA



Hydro Power Business: Industry Overview



RTC Power Exchange Prices (Rs/ KWH)



Source: IEX



Hydro Power Business




**Uttarakhand
4.8MW**


Operational since 2008

Operated at 45.42% PLF during FY14-17

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

Average units sold stand at 19.33 mn on a yearly basis

18.26 mn units were sold in FY18





**Chhattisgarh
24MW**

Operational since July, 2017

Expected PLF to be around 50% in FY19

PPA signed at Rs 5.04 per unit with the grid for 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 FY20

Sikkim offers ideal terrain for hydro power

Chhattisgarh power plant to be commissioned in FY22



**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

03



Integrated Operations

Different business divisions complement 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



Project Expansion Plan

Project	Capacity pre-expansion	Capacity Post-expansion	Incremental Capex	Spend till date	Remarks
Steel (Pellet plant)	600,000 MT	750,000 MT	Nil	Nil	Approvals are required Pellets will be sold externally along with captive consumption
Steel (Billet plant)	200,000 MT	300,000 MT	Rs 250 Mn	Rs 100 Mn	The upcoming steel plant will be commissioned by FY19 which will lead to higher capacity utilisation
Hydro Power	29 MW	149 MW	Rs 14,300 Mn	Rs 10,180 Mn	Sikkim Hydro Power plant (96 MW) will be commissioned by FY20 and Chhattisgarh power plant (24 MW) will be commissioned by FY22



Q3 & 9M FY19
RESULTS

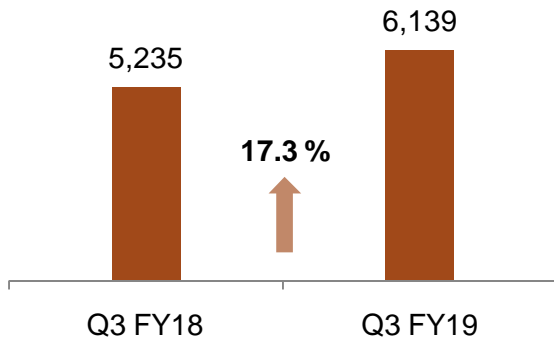
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Q3 & 9M FY19: Key Result Highlights (Consolidated)

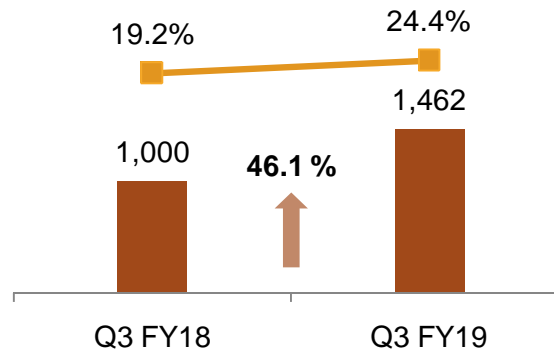


REVENUES *



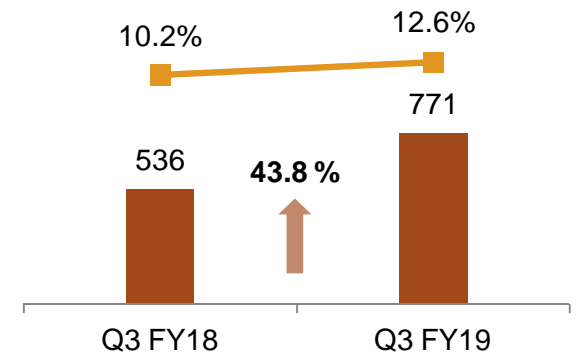
Q3 FY19 YoY Analysis

EBITDA & EBITDA MARGIN

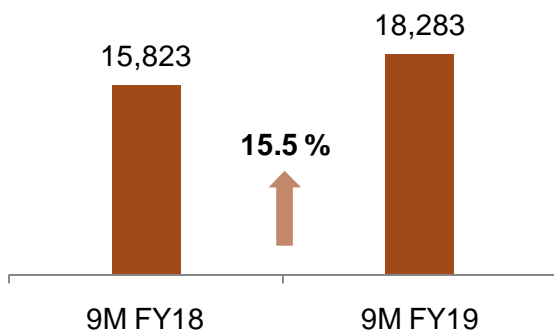


In Rs Mn

PAT & PAT MARGIN

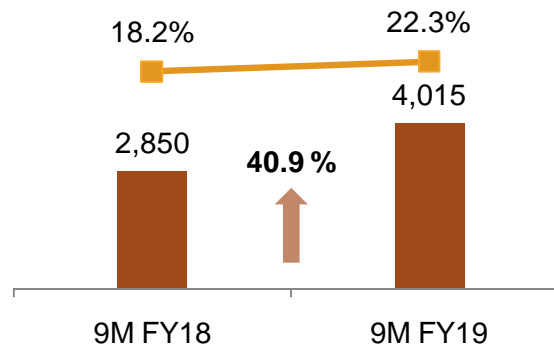


REVENUES *

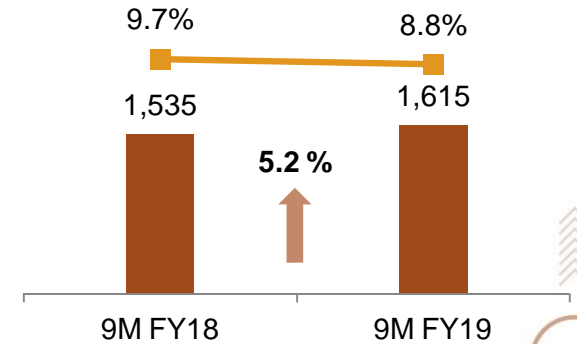


9M FY19 YoY Analysis

EBITDA & EBITDA MARGIN



PAT & PAT MARGIN



* Revenues is net of excise duty



Q3 & 9M FY19: Segment Analysis



Segment Revenues (Rs Mn)	Q3 FY19	Q3 FY18	YoY %	9M FY19	9M FY18	YoY %
Steel	3,245	2,285	42.0%	9,013	6,431	40.1%
% of Total	46.3%	37.9%		42.8%	35.3%	
Ferro Alloys	2,523	2,712	-7.0%	8,259	8,756	-5.7%
% of Total	36.0%	45.0%		39.2%	48.1%	
Power	1,209	995	21.5%	3,761	2,955	27.3%
% of Total	17.3%	16.5%		17.8%	16.2%	
Others	29	30	-2.3%	49	74	-33.8%
Total	7,005	6,022	16.3%	21,082	18,216	15.7%
Less: Intersegment Revenue	866	787	9.9%	2,799	2,395	16.9%
Total Revenues	6,139	5,235	17.3%	18,283	15,821	15.6%

Segment EBIT Margin (%)	Q3 FY19	Q3 FY18	9M FY19	9M FY18
Steel	30.0%	20.6%	34.1%	21.6%
Ferro Alloys	15.3%	12.3%	10.6%	12.3%
Power	6.1%	-3.4%	8.2%	5.6%



Q3 & 9M FY19: Segment Wise Production Data



Production	Q3 FY19	Q3 FY18	YoY %	9M FY19	9M FY18	YoY %
Steel	3,13,321	2,86,981	9.2%	9,74,262	9,20,428	5.8%
Iron ore Pellet (MT)	1,71,198	1,54,504	10.8%	5,36,997	5,13,567	4.6%
Sponge Iron (MT)	76,379	62,712	21.8%	2,23,000	1,99,389	11.8%
Steel Billet (MT)	36,156	34,299	5.4%	1,11,978	1,02,054	9.7%
Wire Rod (MT)	26,762	28,406	-5.8%	88,063	84,081	4.7%
HB Wire (MT)	2,826	7,060	-60.0%	14,224	21,337	-33.3%
Ferro Alloys (MT)	35,643	35,211	1.2%	1,13,187	1,13,453	-0.2%
Power (Mn Kwh)	287	275	4.6%	898	846	6.1%

Steel

- Steel business witnessed production growth of 9.2% YoY in Q3 FY19
- Iron ore pellet and sponge iron displayed robust growth
- Production of steel billet, wire rod and HB wire was low because of scheduled shutdown for replacement of cooling tower

Ferro Alloys

- Ferro Alloys production marginally grew by 1.2% YoY in Q3 FY19
- This was on account of lower captive consumption of power

Power

- Power business grew by 4.6% YoY in Q3 FY19
- Hydro power production declined from 22.63 Mn units to 15.84 Mn units in Q3 FY19



Consolidated Profit & Loss



Particulars (Rs Mn)	Q3 FY19	Q3 FY18	YoY %	9M FY19	9M FY18	YoY %	FY18
Revenue from Operations *	6,004	5,200	15.5%	18,042	15,702	14.9%	21,521
Other Operating Income	135	34	291.9%	241	121	99.1%	216
Total Revenues	6,139	5,235	17.3%	18,283	15,823	15.5%	21,737
COGS	3,956	3,552	11.4%	11,672	10,965	6.4%	14,778
Employee Expenses	209	188	11.6%	615	560	9.7%	771
Other Operating Expenses	512	494	3.5%	1,981	1,447	36.9%	2,172
EBITDA	1,462	1,000	46.1%	4,015	2,850	40.9%	4,016
EBITDA Margin %	24.4%	19.2%	511bps	22.3%	18.2%	410bps	18.7%
Other Income	84	129	-34.6%	(83)	588	-114.1%	703
Depreciation/ Amortization	189	180	4.7%	571	547	4.3%	732
Finance Cost	242	237	1.9%	739	702	5.2%	967
PBT	1,115	711	56.8%	2,623	2,189	19.8%	3,021
Share of Profit/ (Loss) from Subsidiaries	0	(4)	-102.1%	(8)	3	-383.0%	9
Exceptional Items	-	-	-	-	-	-	(78)
Tax	345	172	100.5%	1,000	656	52.3%	895
PAT (Before MI)	771	536	43.8%	1,615	1,535	5.2%	2,057

* Revenue from Operations is net of excise duty



Consolidated Balance Sheet



Liabilities (Rs Mn)	H1 FY19	FY18
Equity Share Capital	360	360
Other Equity	17,138	16,289
Total Equity	17,499	16,649
Borrowings	9,881	9,832
Other Financial Liabilities	77	152
Provisions	79	78
Deferred Tax Liabilities (Net)	667	681
Total Non Current Liabilities	10,706	10,743
Borrowings	1,955	3,267
Trade Payables	3,193	1,308
Other Financial Liabilities	1,565	1,623
Provisions and Other Current Liabilities	722	536
Total Current Liabilities	7,435	6,734
Total Liabilities	35,640	34,126

Assets (Rs Mn)	H1 FY19	FY18
Fixed Assets	22,217	21,420
Investments	522	548
Other Financial Assets	171	165
Other Non-Current Assets	755	676
Total Non Current Assets	23,665	22,809
Inventories	4,848	4,113
Trade Receivables	1,350	1,312
Cash & Cash Equivalents	367	216
Investments	1,568	2,325
Other Current Assets (Net)	3,841	3,351
Total Current Assets	11,975	11,317
Total Assets	35,640	34,126



ANNEXURE



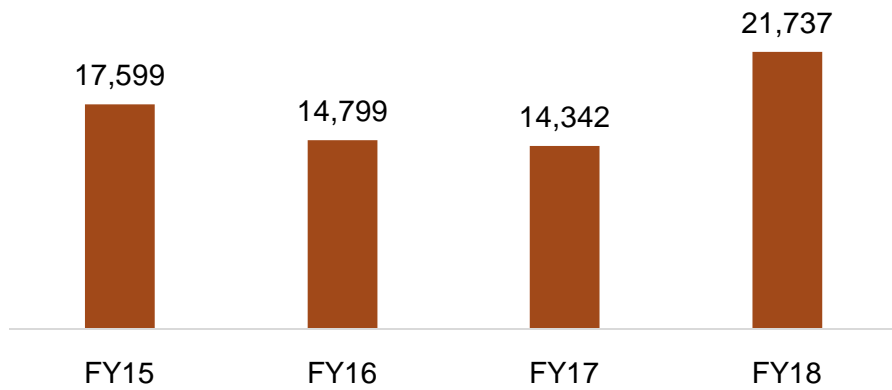


Financial Summary

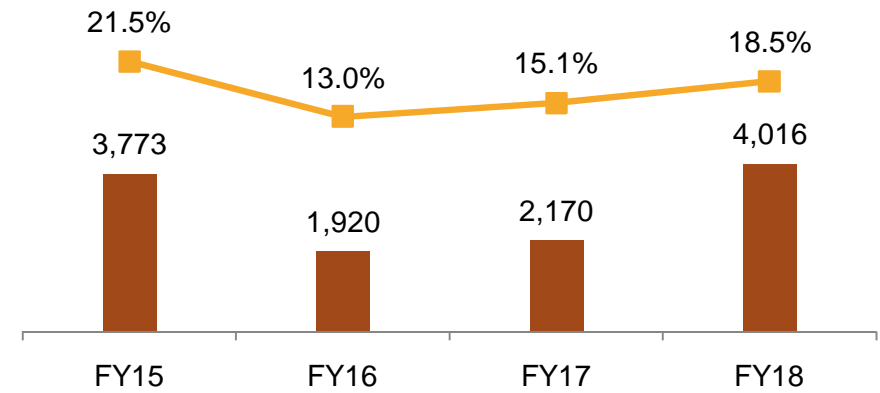


In Rs Mn

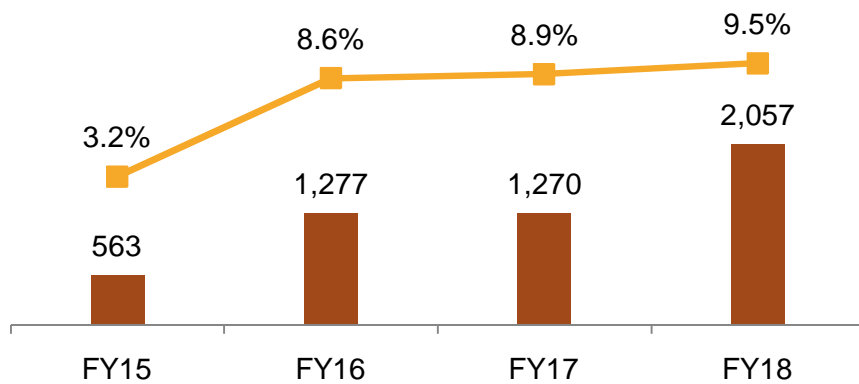
REVENUES



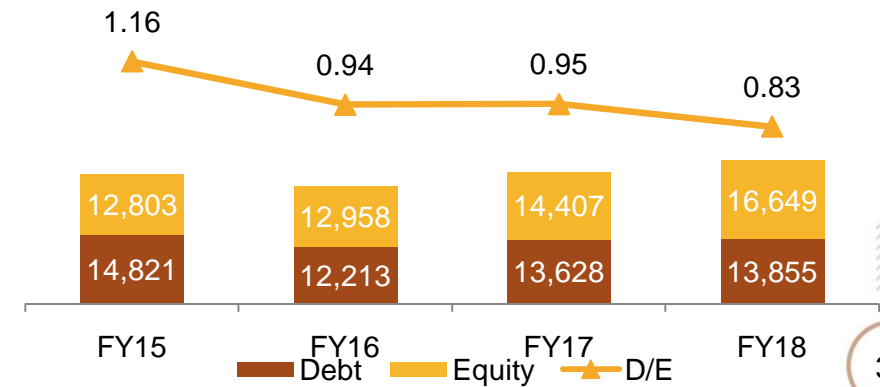
EBITDA & EBITDA MARGIN



PAT & PAT MARGIN



DEBT / EQUITY RATIO

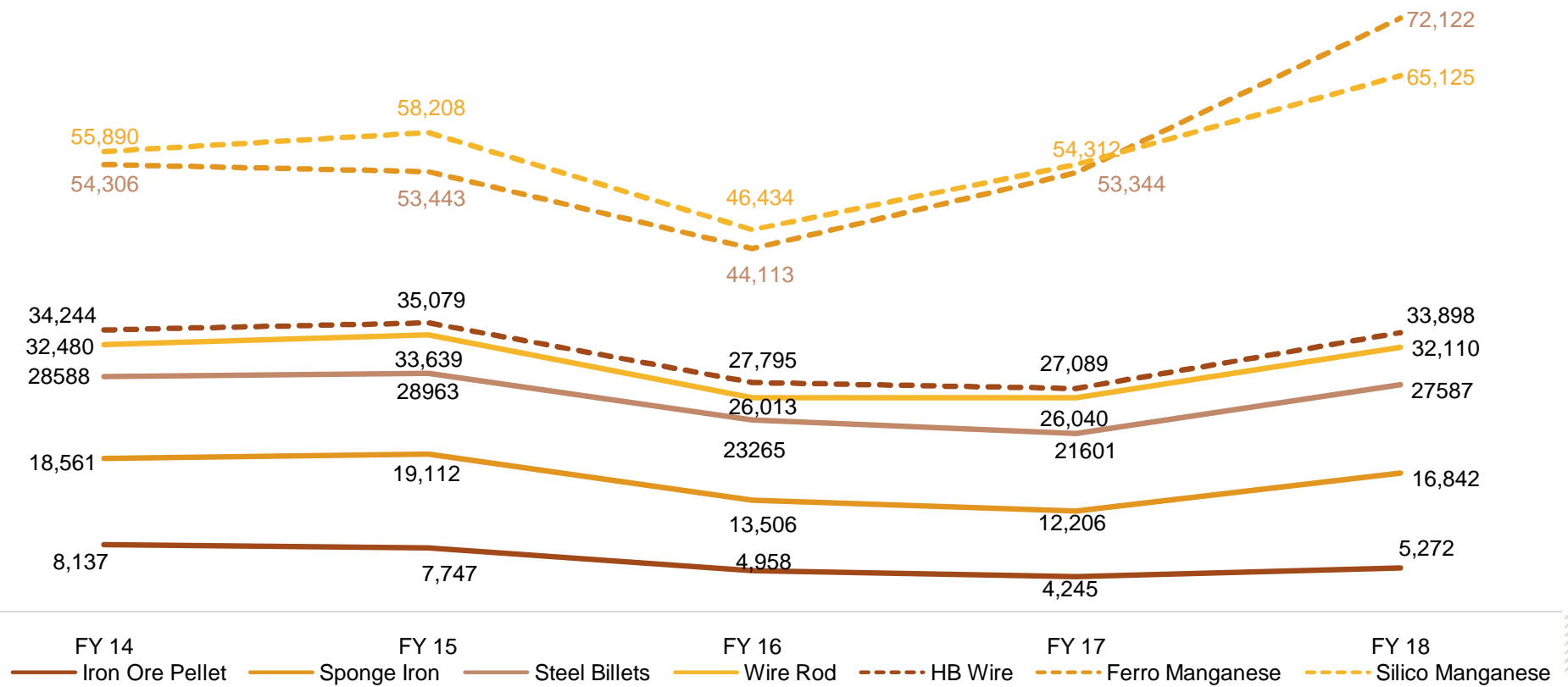




Annexure Realization



Trends in Sales Realization (Rs / MT)





Production & Sales



Production	FY16	FY17	FY18
Pellet (MT)	494,916	599,925	599,950
Sponge Iron (MT)	265,508	304,193	278,147
Steel Billet (MT)	134,566	133,442	136,349
Wire Rod (MT)	92,437	101,176	113,466
HB Wire (MT)	26,764	29,552	27,763
Ferro - Alloys (MT)	106,928	127,602	149,258
Power (mn KWH)	1,182	1,013	1,010

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**



DICKENSON

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