

**MINING**



**STEEL**



**FERRO-ALLOYS**



**HYDRO**



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**Result Presentation | Q2 FY20**

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# Agenda

- 1 **H1 FY20 :  
Business Update & Financial Highlights**
- 2 **SEML – Consistent & Disciplined Growth**
- 3 **Strategic Priorities**
- 4 **Annual Financial Highlights**





## **H1 FY20 : Business Update & Financial Highlights**

# Profitability Highlights - Consolidated

INR in Cr	Q2FY20	Q2FY19	YoY	Q1FY20	QoQ	H1FY20	H1FY19	YoY
Revenues	550	591		555		1106	1214	
Other Income	11	-3		11		22	-17	
<b>Total Income</b>	<b>561</b>	<b>588</b>	<b>-4%</b>	<b>566</b>	<b>-1%</b>	<b>1128</b>	<b>1198</b>	<b>-6%</b>
Raw Material	372	377		350		723	772	
Employee Expenses	22	20		25		47	41	
Other Operating Expenses	68	75		70		139	147	
<b>EBITDA</b>	<b>99</b>	<b>115</b>	<b>-14%</b>	<b>121</b>	<b>-18%</b>	<b>220</b>	<b>239</b>	<b>-8%</b>
<i>EBITDA Margin (%)</i>	<i>18%</i>	<i>20%</i>		<i>21%</i>		<i>19%</i>	<i>20%</i>	
Depreciation	20	19		19		39	38	
Interest	18	26		23		41	50	
<b>Profit Before Tax</b>	<b>62</b>	<b>70</b>	<b>-12%</b>	<b>78</b>	<b>-21%</b>	<b>140</b>	<b>151</b>	<b>-7%</b>
Exceptional Item	0	0		0		0	0	
Tax	-10	31		27		18	66	
<b>PAT</b>	<b>71</b>	<b>40</b>	<b>79%</b>	<b>51</b>	<b>41%</b>	<b>122</b>	<b>85</b>	<b>43%</b>
<i>PAT Margin (%)</i>	<i>13%</i>	<i>7%</i>		<i>9%</i>		<i>11%</i>	<i>7%</i>	
<b>EPS</b>	<b>19.12</b>	<b>9.47</b>	<b>102%</b>	<b>13.16</b>	<b>45%</b>	<b>32.28</b>	<b>21.97</b>	<b>47%</b>

*Planned shutdown of Vizag plant impacted the Revenue and EBITDA during H1FY20 & Q2 FY20*

# Balance Sheet - Consolidated

Rs. Crore	Sep-19	Mar-19
<b>Shareholder's Funds</b>	<b>1876</b>	<b>1778</b>
Share capital	36	36
Other Equity	1840	1742
<b>Minority interest</b>	<b>52</b>	<b>82</b>
<b>Non-current Liabilities</b>	<b>1240</b>	<b>1158</b>
Long term borrowings	1175	1078
Long-Term Provisions	9	9
Deferred tax liability	56	71
<b>Current Liabilities</b>	<b>722</b>	<b>648</b>
Short Term Borrowings	295	268
Trade Payables	168	181
Other Financial Liabilities	210	157
Short-term provisions	17	8
Other Current liabilities	25	22
Current tax liability	7	13
<b>Total Equities &amp; Liabilities</b>	<b>3889</b>	<b>3665</b>

Rs. Crore	Sep-19	Mar-19
<b>Non-current Assets</b>	<b>2625</b>	<b>2524</b>
Fixed assets	2545	2427
Financial assets	28	46
Other non-current assets	52	51
<b>Current Assets</b>	<b>1264</b>	<b>1141</b>
Inventories	393	439
Trade receivables	149	93
Investments	170	166
Bank, Cash & Cash equivalents	141	45
Loans & Advances	298	313
Other Current Assets	114	86
<b>Total Assets</b>	<b>3889</b>	<b>3665</b>

# Profitability Highlights - Standalone

INR in Cr	Q2FY20	Q2FY19	YoY	Q1FY20	QoQ	H1FY20	H1FY19	YoY
Revenues	381	419		421		802	861	
Other Income	26	16		8		34	0	
<b>Total Income</b>	<b>407</b>	<b>435</b>	<b>-6%</b>	<b>429</b>	<b>-5%</b>	<b>835</b>	<b>861</b>	<b>-3%</b>
Raw Material	267	260		254		521	519	
Employee Expenses	17	16		20		37	32	
Other Operating Expenses	47	53		53		100	97	
<b>EBITDA</b>	<b>76</b>	<b>105</b>	<b>-28%</b>	<b>101</b>	<b>-25%</b>	<b>177</b>	<b>214</b>	<b>-17%</b>
<i>EBITDA Margin (%)</i>	<i>19%</i>	<i>24%</i>		<i>24%</i>		<i>21%</i>	<i>25%</i>	
Depreciation	13	12		13		26	25	
Interest	9	8		8		16	17	
<b>Profit Before Tax</b>	<b>55</b>	<b>85</b>	<b>-35%</b>	<b>81</b>	<b>-32%</b>	<b>135</b>	<b>172</b>	<b>-21%</b>
Exceptional Item	0	0		0		0	0	
Tax	-14	25		28		15	60	
<b>PAT</b>	<b>68</b>	<b>60</b>	<b>15%</b>	<b>52</b>	<b>30%</b>	<b>121</b>	<b>112</b>	<b>8%</b>
<i>PAT Margin (%)</i>	<i>17%</i>	<i>14%</i>		<i>12%</i>		<i>14%</i>	<i>13%</i>	
<b>EPS</b>	<b>18.94</b>	<b>16.52</b>	<b>15%</b>	<b>14.56</b>	<b>30%</b>	<b>33.50</b>	<b>30.94</b>	<b>8%</b>

One Power unit under shutdown for 25 days, at Raipur plant, impacted the Revenue and EBITDA during H1FY20 & Q2 FY20

**Achieved highest ever Sponge Iron Production in a Quarter & Half Year**

**Achieved highest ever Billet and Wire Rod Production in Half Year**

**Achieved Highest ever Power Production in Half Year**

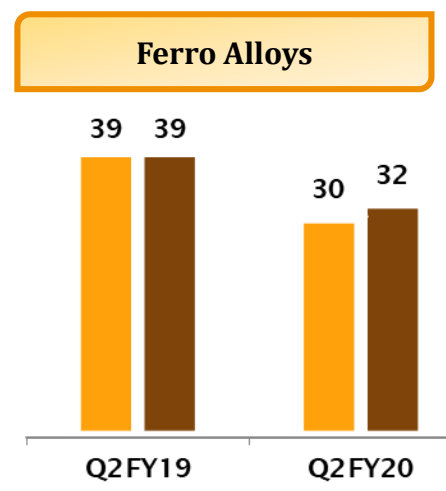
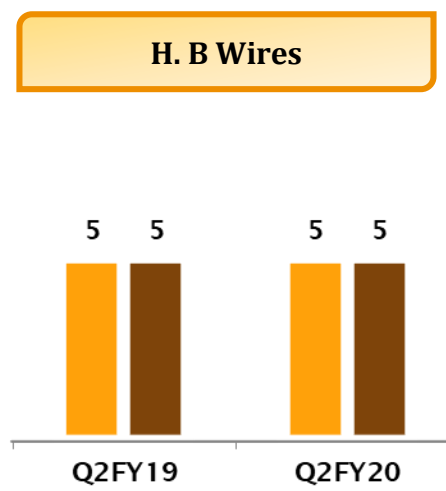
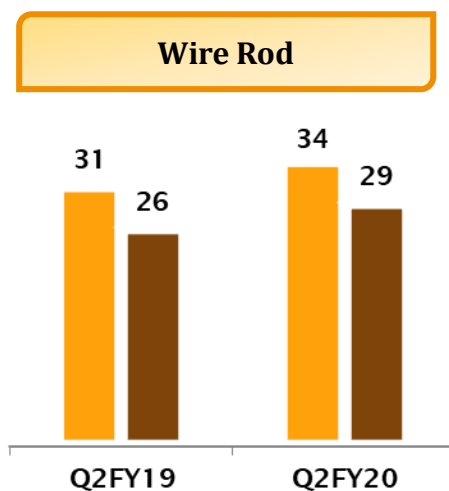
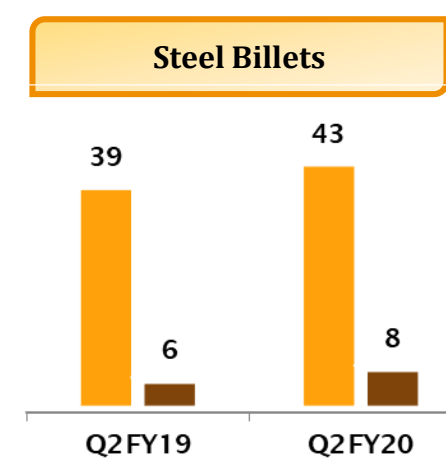
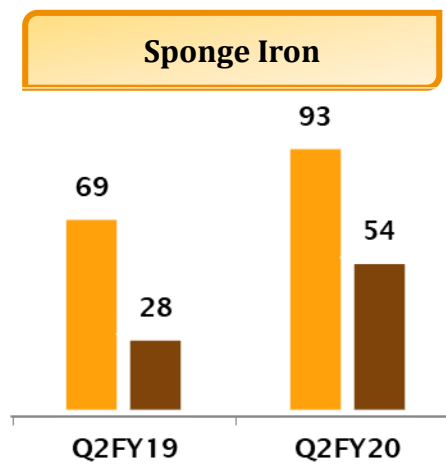
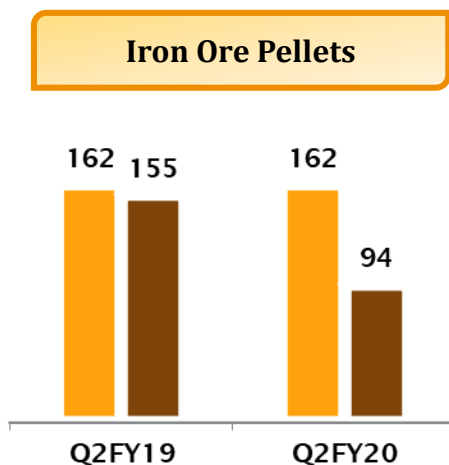
# Balance Sheet - Standalone

Rs. Crore	Sep-19	Mar-19
<b>Shareholder's Funds</b>	<b>1668</b>	<b>1566</b>
Share capital	36	36
Other Equity	1632	1530
<b>Non-current Liabilities</b>	<b>226</b>	<b>165</b>
Long term borrowings	178	100
Long-Term Provisions	3	3
Deferred tax liability	45	62
<b>Current Liabilities</b>	<b>435</b>	<b>349</b>
Short Term Borrowings	173	175
Trade Payables	117	90
Other Financial Liabilities	107	48
Short-term provisions	16	7
Other Current liabilities	18	18
Current tax liability	5	11
<b>Total Equities &amp; Liabilities</b>	<b>2329</b>	<b>2080</b>

Rs. Crore	Sep-19	Mar-19
<b>Non-current Assets</b>	<b>1294</b>	<b>1300</b>
Fixed assets	584	597
Financial assets	693	687
Other non-current assets	18	16
<b>Current Assets</b>	<b>1035</b>	<b>779</b>
Inventories	285	300
Trade receivables	79	39
Investments	59	52
Bank, Cash & Cash equivalents	90	3
Loans & Advances	445	326
Other Current Assets	77	58
<b>Total Assets</b>	<b>2329</b>	<b>2080</b>



# Quarterly Volume – Steel Business



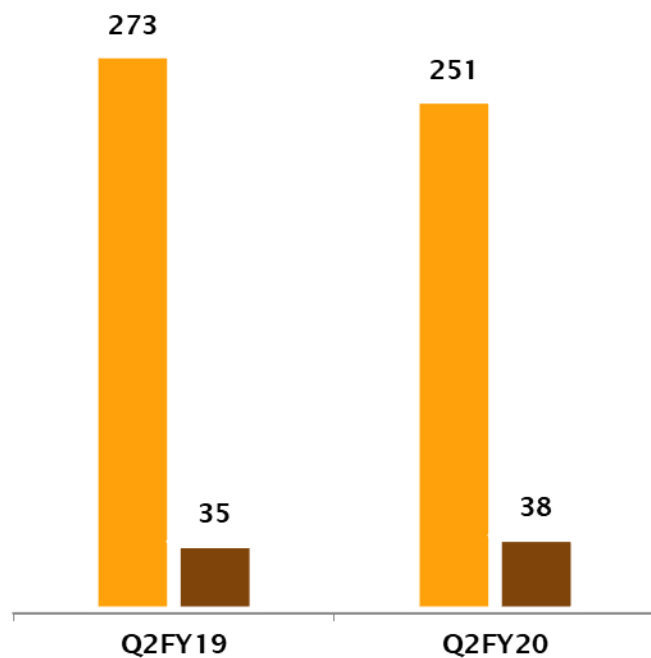
■ Production ■ Sales

All Fig. in '000 MT unless specified

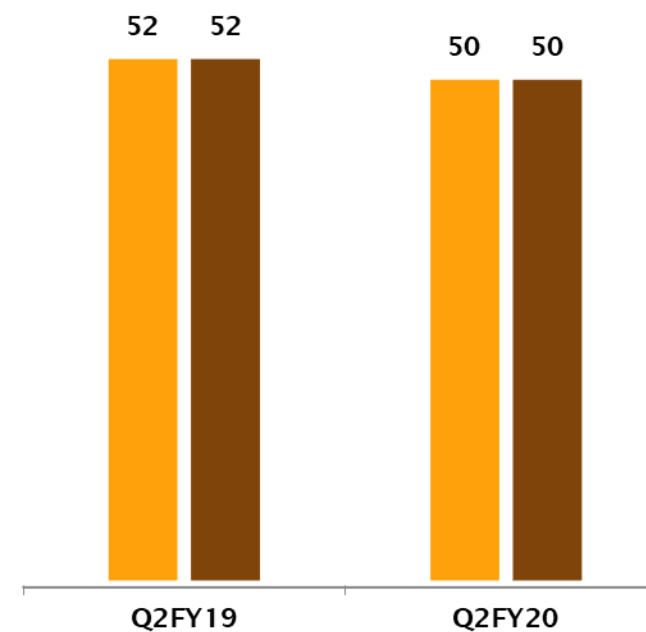
Note: 1) A part of all production is captively consumed for production of downstream products 2) One Power Unit under shutdown for 25 days, at Raipur plant, impacted steel business volumes

# Quarterly Generation & Sales - Power Business

Power (Thermal)



Power (Hydro)



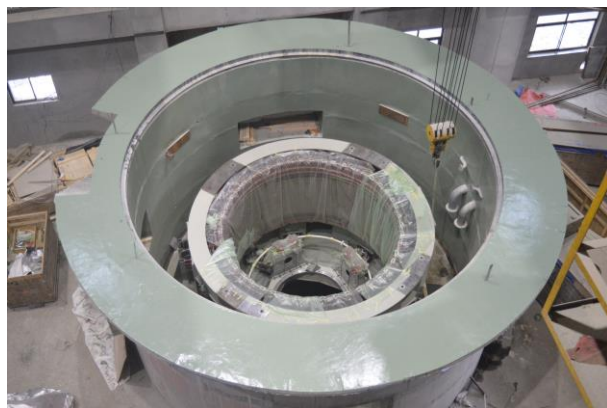
Thermal Power (Captive) Capacity : 162 MW

All Fig. in Mn Kwh unless specified

One Power unit under shutdown for 25 days at Raipur, affected Thermal Power generation

■ Generation ■ Sales

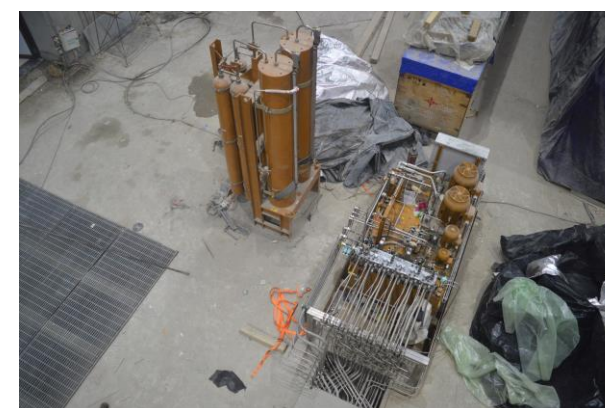
# Sikkim Hydro Project Progressing well



UNIT-1 GENERATOR STATOR & LOWER BRACKET INSTALLED INSIDE BARREL



10MVA STATION TRANSFORMER ERECTION COMPLETED



UNIT-1 HPU INSTALLED



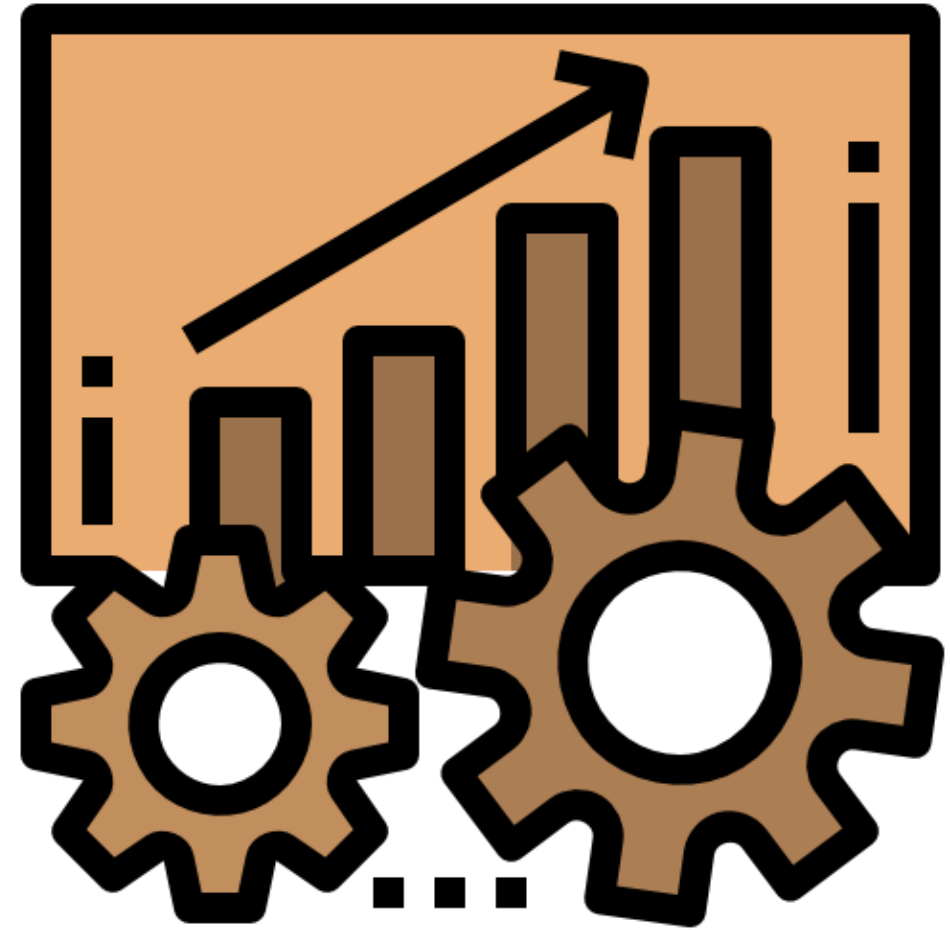
UNIT-2 STATOR WINDING UNDER PROGRESS



UNIT- 2 MIV ERECTION COMPLETED



UNIT-1& 2, TURBINE HOUSING & DISTRIBUTOR COMPLETED



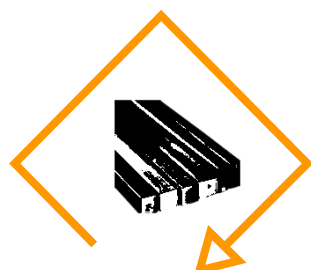
**SEML – Consistent & Disciplined Growth**

# SEML at a Glance

## Steel Business



Pellet Production  
**6 Lac MT**



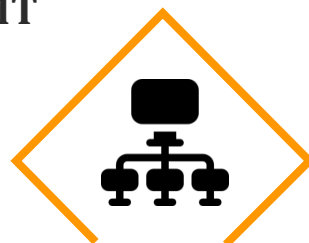
Billet Production  
**1.56 Lac MT**



Wire Rod Production  
**1.18 Lac MT**

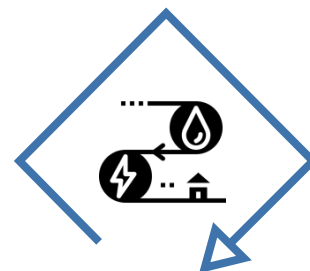


Ferro Alloys Production  
**1.49 Lac MT**

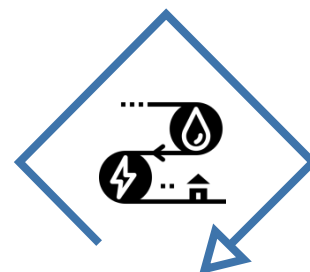


Iron Ore Reserves  
**20 Mn T**

## Hydro Power



Operational Capacity  
**28.8 MW**



Capacity Under Execution  
**120 MW**

## Financials (FY19)



Revenue  
**INR 2,217 Cr**



PAT  
**INR 207 Cr**

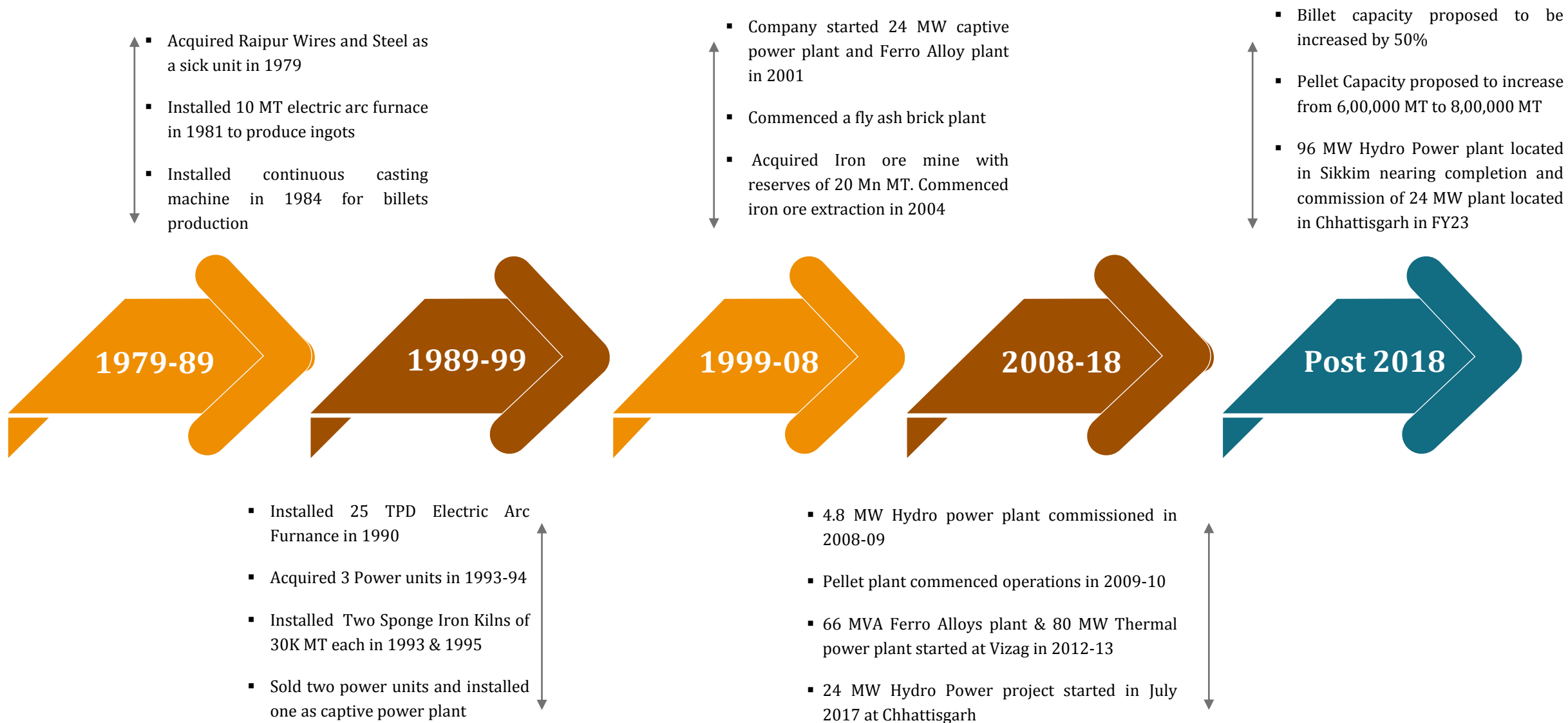


EBITDA  
**INR 499 Cr**



Dividend Per Share  
**INR 5/Share**

# Sarda's Transformation Journey...



# ...Under Strong Leadership



**Kamal Kishore Sarma**

CMD

- Mechanical Engineer with 44 years experience in Iron and Steel Industry
- Responsible for steering SEML towards the path of growth



**Pankaj Sarma**

Joint MD

- MS in Industrial Administration from Purdue University, USA
- Industry experience of more than 12 years



**Padam Kumar Jain**

Director & CFO

- CA, CS with a rich experience of 33 years
- Looks after accounting, finance, taxation, costing and corporate laws



**Manish Sarma**

Director

- MBA in International Business with 25 years of experience in Iron and Steel Industry
- Presently focused on overall development of the Ferro alloys segment
- Chairman of Indian Ferro Alloy Producers' Association

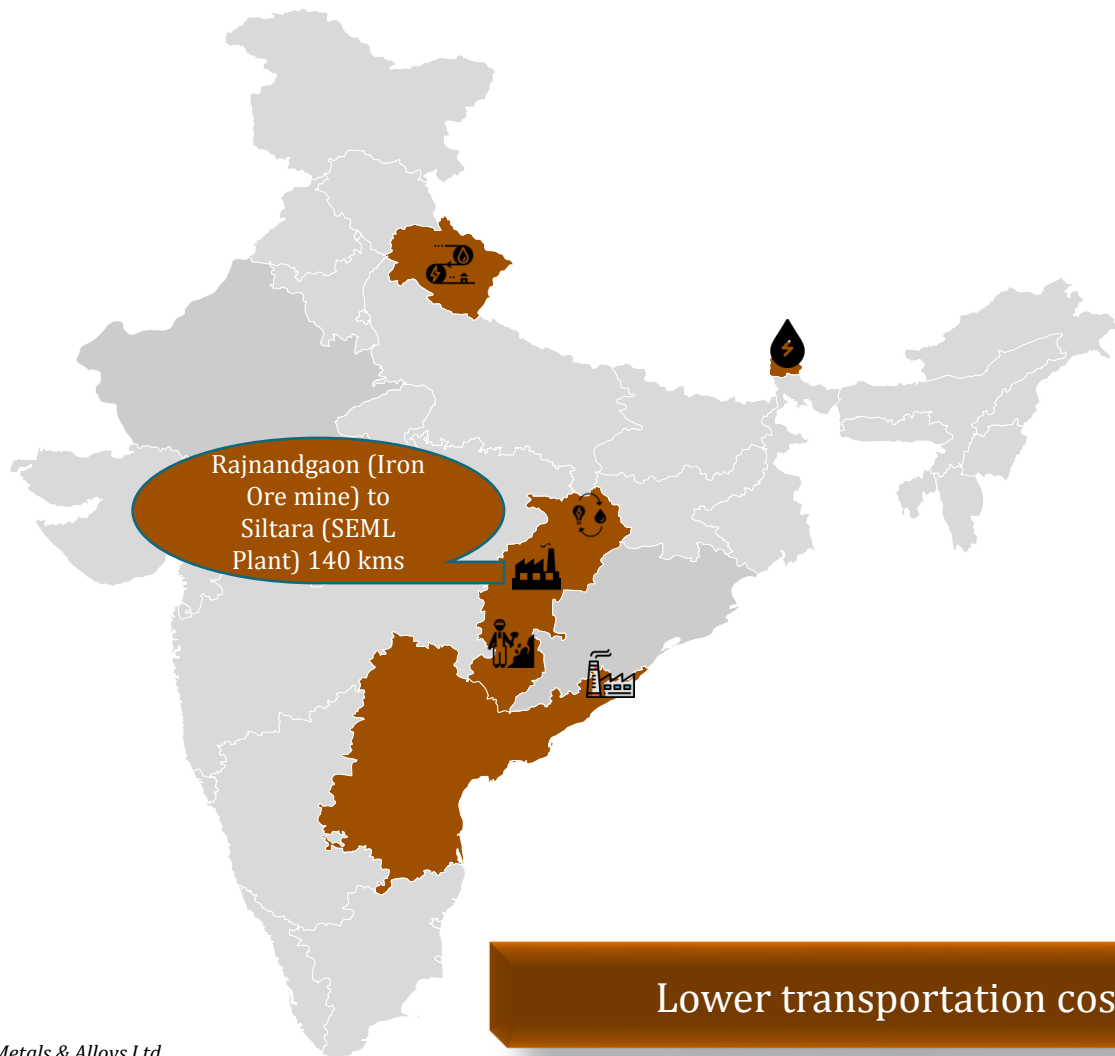


**Neeraj Sarma**

Director

- MBA in Finance & Marketing with more than 15 years of experience in Iron & Steel Industry
- Second generation entrepreneur, presently Deputy Managing Director of Sarma Metals & Alloys Ltd

# Company's Asset Footprint



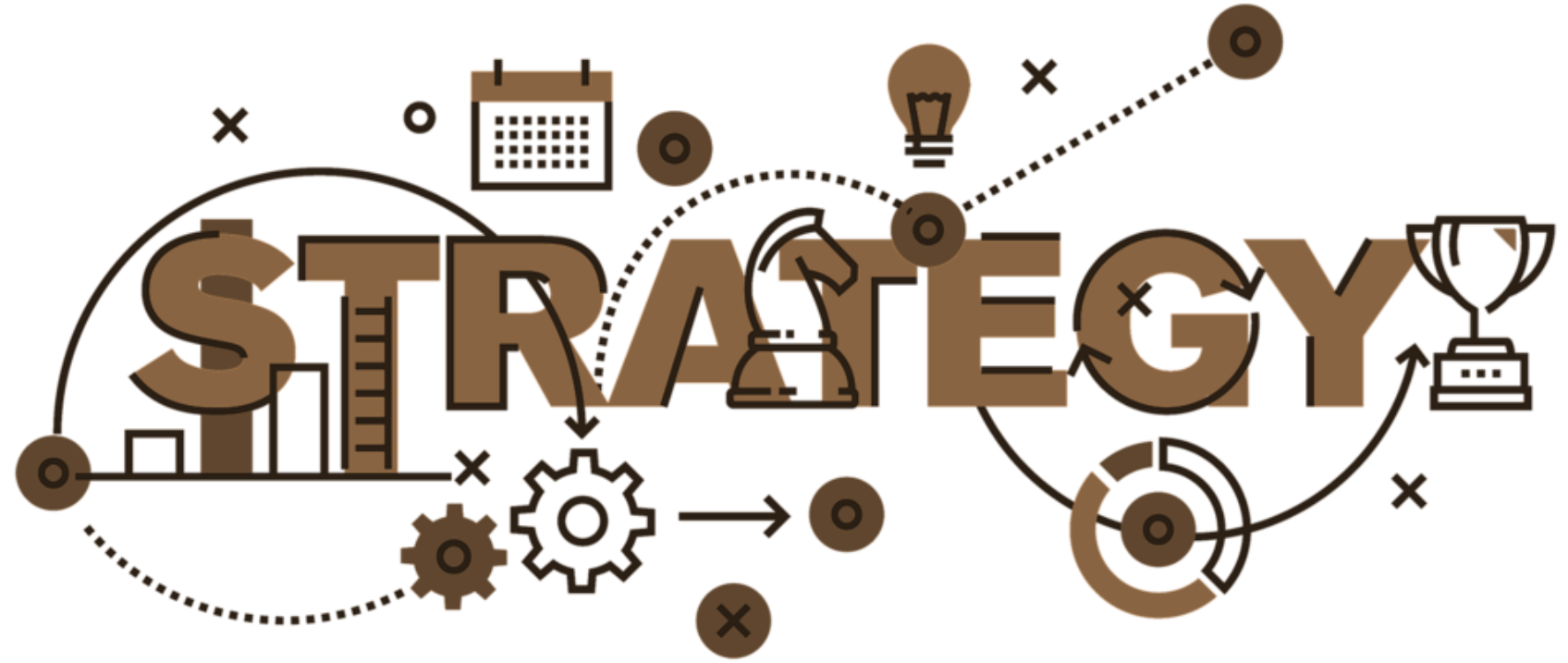
## Plants / Facilities

- Hydro Plant at Uttarakhand
- Hydro Plant at Sikkim
- Hydro Plant at Gullu
- Steel Plant (SEML\*\* Plant) at Siltara
- Ferro Alloy Plant at Vizag under SMAL\*
- Iron Ore Mine at Rajnandgaon

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

\*SMAL – Sarda Metals & Alloys Ltd  
 \*\* SEML – Sarda Energy & Minerals Ltd





**Strategic Priorities**

# Strategic Priorities



1

## **Vertically Integrated Steel Player**

**Better Control / Lower Cost of Production**

2

## **Hydro Business Expansion**

**Visibility of incremental Stable Cashflow**

3

## **Disciplined Growth**

**Consistently improving Balance Sheet Strength**

4

## **Health, Safety & Social Responsibility**

**Focus on overall well-being of the people**

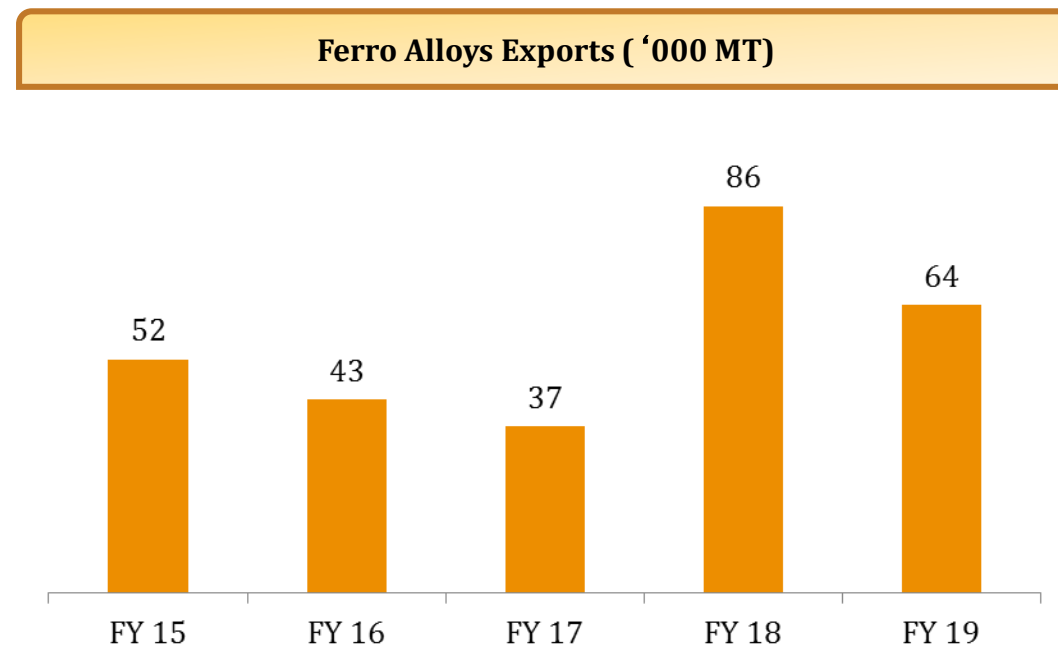
# Vertically Integrated Steel Player...



<b>Description</b>	140 km near SEML Plant, Siltara	Produced from Iron Ore fines & sold domestically	Produced from captive Iron Ore Lumps & Pellets	Semi finished steel product produced by continuous casting process	Hot rolled product made from direct hot billet charging
<b>Current Capacity</b>	Production run rate of 500,000 MT with mine life of 30 years	6,00,000 MT	3,60,000 MT	2,00,000 MT	2,10,000 MT
<b>Captive Consumption (%)*</b>	100%	27%	50%	78%	Wire rods : 18%
<b>Expansion</b>	<ul style="list-style-type: none"> <li>Mines allotted in Chhattisgarh with 240 Mn Tonnes of reserves</li> </ul>	<ul style="list-style-type: none"> <li>Expansion of capacity to 8,00,000 MT#</li> </ul>	<ul style="list-style-type: none"> <li>Preferred Route of Steel making</li> <li>Thermal Coal sourced locally</li> </ul>	<ul style="list-style-type: none"> <li>Expansion of capacity to 3,00,000 MT#</li> <li>Well positioned with complete back end integration</li> </ul>	<ul style="list-style-type: none"> <li>Increase in Billet production lead to rise in wire rods production</li> </ul>

# ... presence in Ferro Alloys

- Two operational plants located at Raipur and Vizag with a total installed capacity of 111 MVA
- Manufactures manganese based Ferro Alloys sold domestically as well exported to other countries
- Leading exporter of the Ferro Alloys
- **Exports Awards:**
  - ✓ SMAL received prestigious export promotion council award in 2018
  - ✓ SEML & subsidiary received Two-Star export house status from Government of India



# Hydro Power Expansion...

## Operational Capacity

### Uttarakhand

**4.8 MW**

**Operational since 2008**

Debt free operation & operated at 45.42% PLF during FY14-17

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

Average units sold stand at 19.33 mn on a yearly basis

### Chhattisgarh

**24.9 MW**

**Operational since 2017**

Expected long term PLF to be around 40-45%

PPA signed at **INR 5.22** per unit with state discoms for 35 years

Plant generating free cashflow from first year of operation

## Under Execution

### Sikkim

**96 MW**

**To be commissioned in FY20**

Large hydro projects of over 25 MW capacity classified as renewable power

Major Project works completed with Project nearing completion

### Chhattisgarh

**24.9 MW**

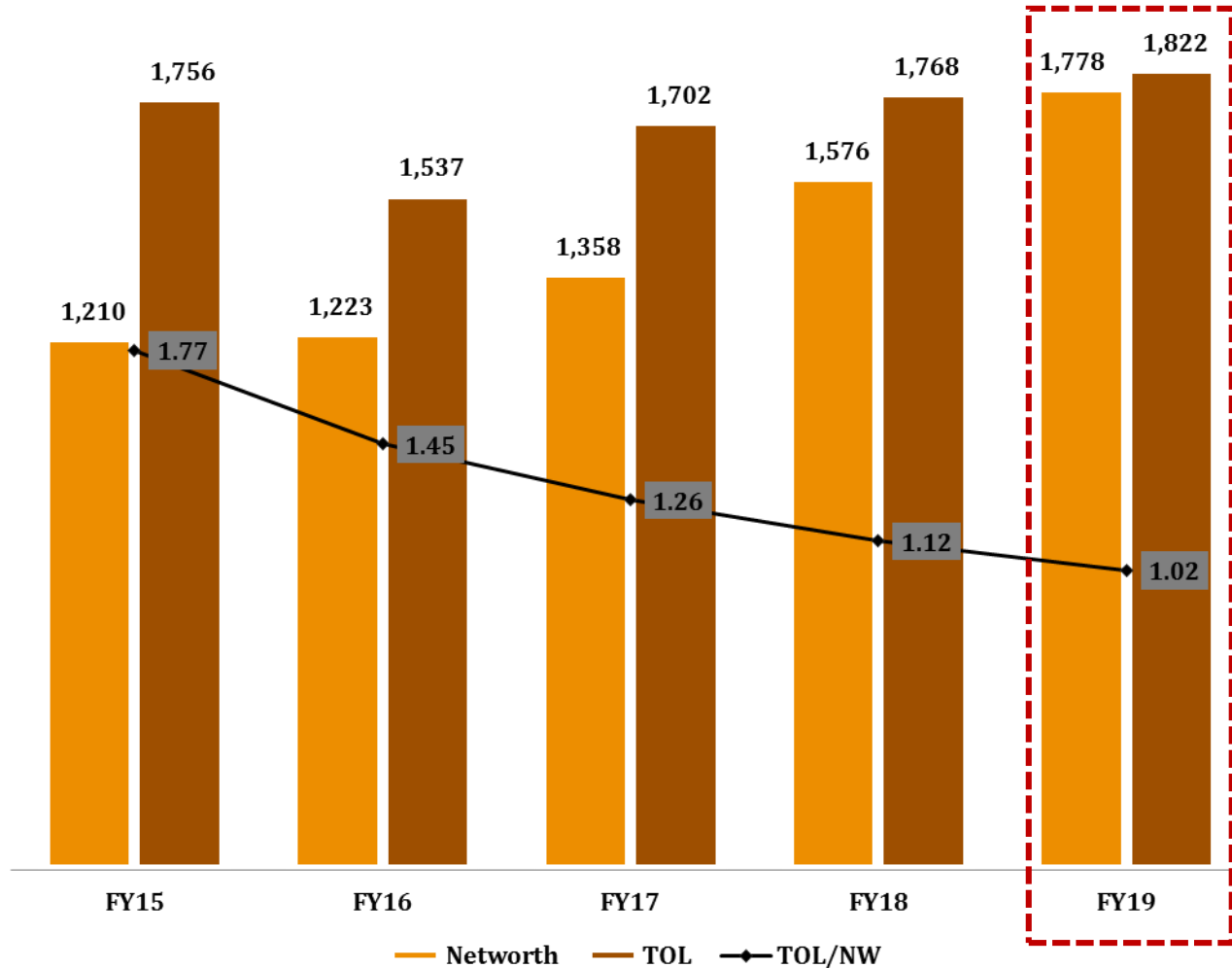
Land acquisition & regulatory approvals in place

Financial Closure under progress

... Sikkim project completion to provide incremental stable cashflow

# Disciplined Growth

## Consistently improving Balance Sheet Strength



Rs. Cr	Term Loan	Working Capital	Total
Steel	424	224	648
Hydro Operational	120	-	120
<b>Total</b>	<b>544</b>	<b>224</b>	<b>768</b>
Hydro Under execution	594	-	594
<b>Total</b>	<b>1,138</b>	<b>224</b>	<b>1,362</b>

Steel Business includes Loans on major subsidiaries SEML & SMAL  
Hydro Business includes Loans on major subsidiaries PPL, CHPLLP, & MBPCL

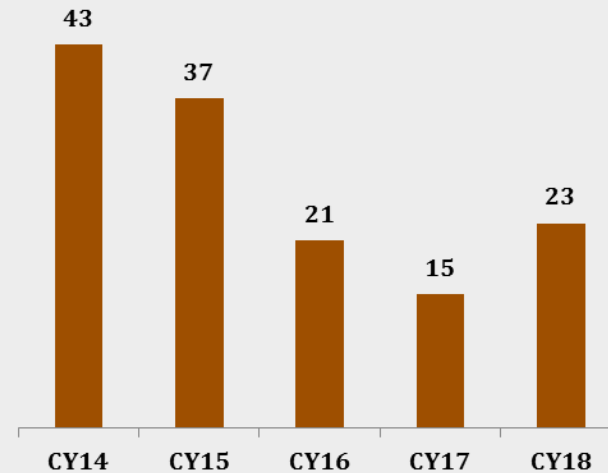
# Focus on Safety, Health & Social Responsibility

## Health & Safety



- SEML awarded - Appreciation Award for Best Company in the Entire Eastern Region on Safety category
- Safety is taken as top priority
- Regular medical check ups & inhouse medical facilities
- Incident rate (including minor injuries) has seen a declining trend over past few years
- Conducting trainings on safety measures every year

## No. of Incidents (including minor)



## Social Responsibility



- Adopted 90 single-teacher schools in the tribal areas of Chhattisgarh
- Actively sponsors medical facilities, assisting in primary healthcare
- Runs a well-equipped ambulance with doctors and has set up first-aid facilities in the villages surrounding its mines

# Annual Financial Highlights



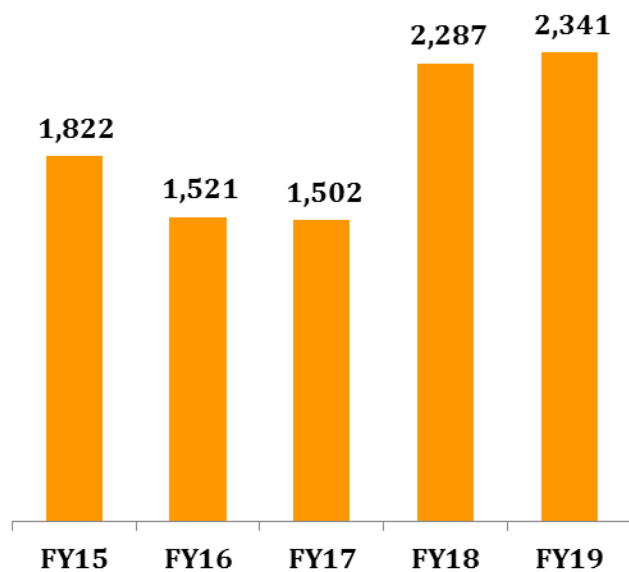


# Profitability Highlights - Consolidated

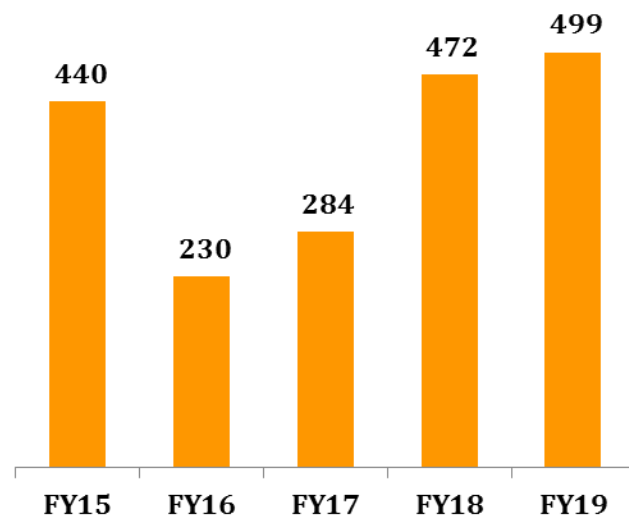
INR in Cr	FY15	FY16	FY17	FY18	FY19
Revenues	1,760	1,486	1,434	2,217	2,324
Other Income	63	35	67	70	17
<b>Total Income</b>	<b>1,822</b>	<b>1,521</b>	<b>1,502</b>	<b>2,287</b>	<b>2,341</b>
Raw Material	883	964	942	1,478	1,493
Employee Expenses	72	68	75	77	87
Other Operating Expenses	428	259	200	260	261
<b>EBITDA</b>	<b>440</b>	<b>230</b>	<b>284</b>	<b>472</b>	<b>499</b>
<b>EBITDA Margin (%)</b>	<b>24%</b>	<b>15%</b>	<b>19%</b>	<b>21%</b>	<b>21%</b>
Depreciation	93	75	69	73	76
Interest	120	109	94	97	99
<b>Profit Before Tax</b>	<b>227</b>	<b>47</b>	<b>122</b>	<b>302</b>	<b>324</b>
Exceptional Item	139	-	(28)	8	-
Tax	31	31	23	90	117
<b>PAT</b>	<b>56</b>	<b>16</b>	<b>127</b>	<b>205</b>	<b>207</b>
<b>PAT Margin (%)</b>	<b>3%</b>	<b>1%</b>	<b>8%</b>	<b>9%</b>	<b>9%</b>
<b>EPS</b>	<b>15.29</b>	<b>4.27</b>	<b>35.58</b>	<b>56.01</b>	<b>56.36</b>

# Financial Performance

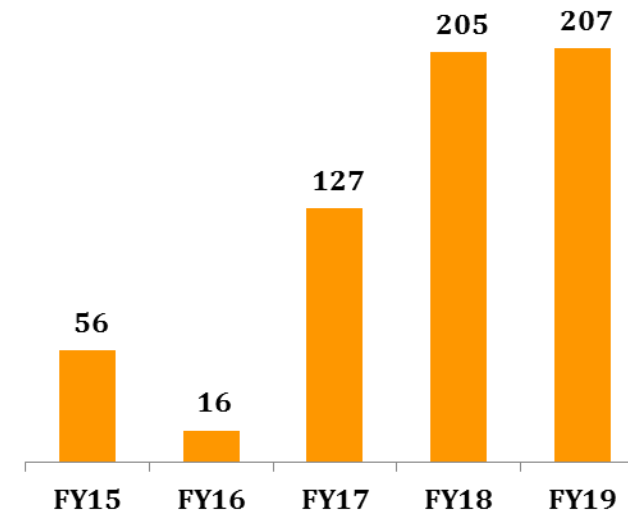
## Total Income



## EBITDA



## PAT

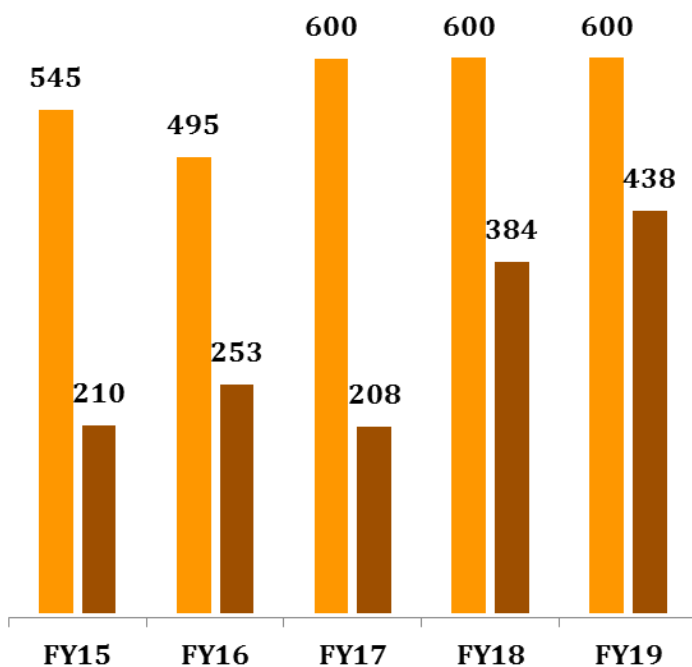


# Balance Sheet Highlights – Consolidated

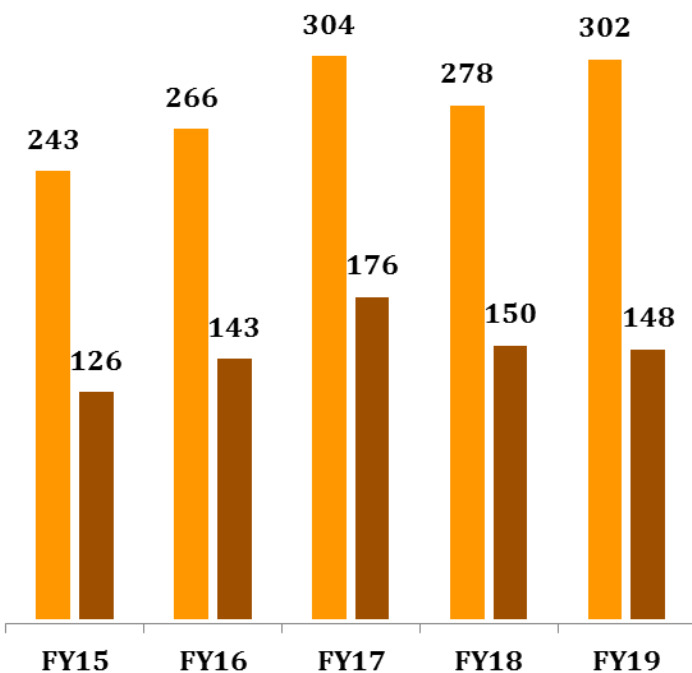
INR in Cr	FY15	FY16	FY17	FY18	FY19
Share Capital	36	36	36	36	36
Tangible Network	1,292	1,230	1,358	1,577	1,778
Long Term Borrowings	999	966	1,015	1,059	1,128
Other Liabilities	726	595	706	741	723
<b>Total Liability</b>	<b>3,053</b>	<b>2,827</b>	<b>3,115</b>	<b>3,413</b>	<b>3,665</b>
Net Fixed Asset Block	1,382	1,351	1,200	1,447	1,397
CWIP	427	579	794	775	1,054
Investment	212	133	203	186	166
Net Current Assets	1,032	764	918	1,005	1,048
<b>Total Assets</b>	<b>3,053</b>	<b>2,827</b>	<b>3,115</b>	<b>3,413</b>	<b>3,665</b>

# Yearly Volume Trend

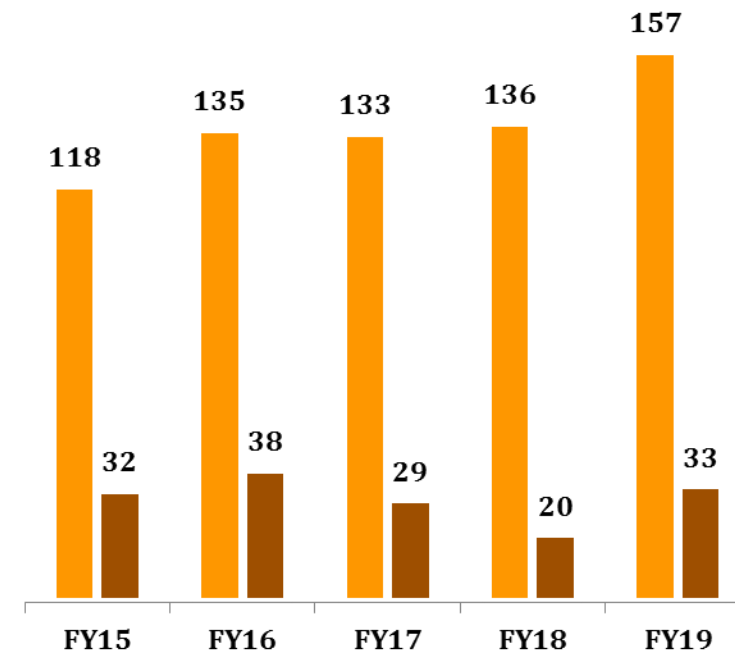
Iron Ore Pellets



Sponge Iron



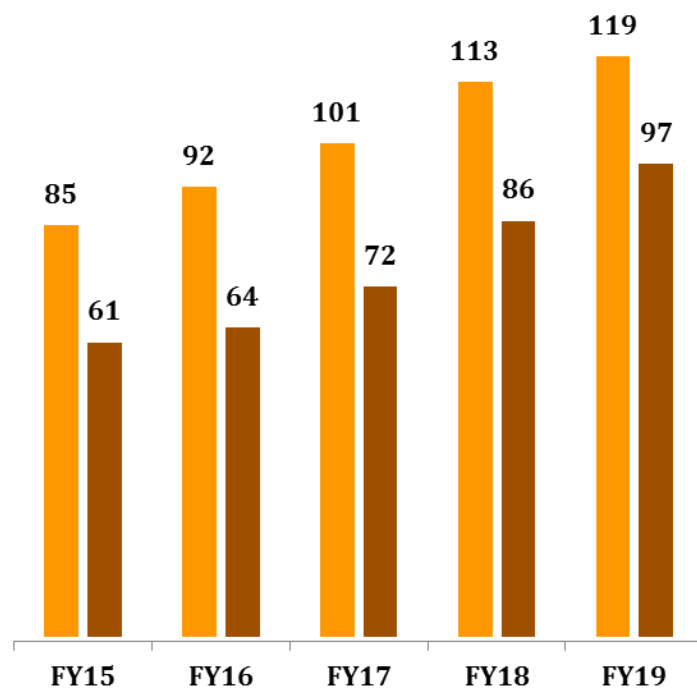
Steel Billet



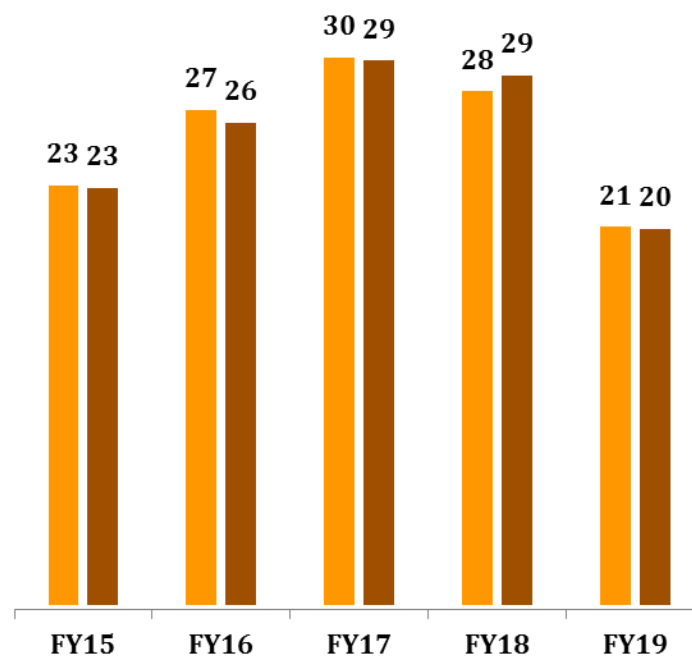
■ Production ■ Sales

# Yearly Volume Trend (2)

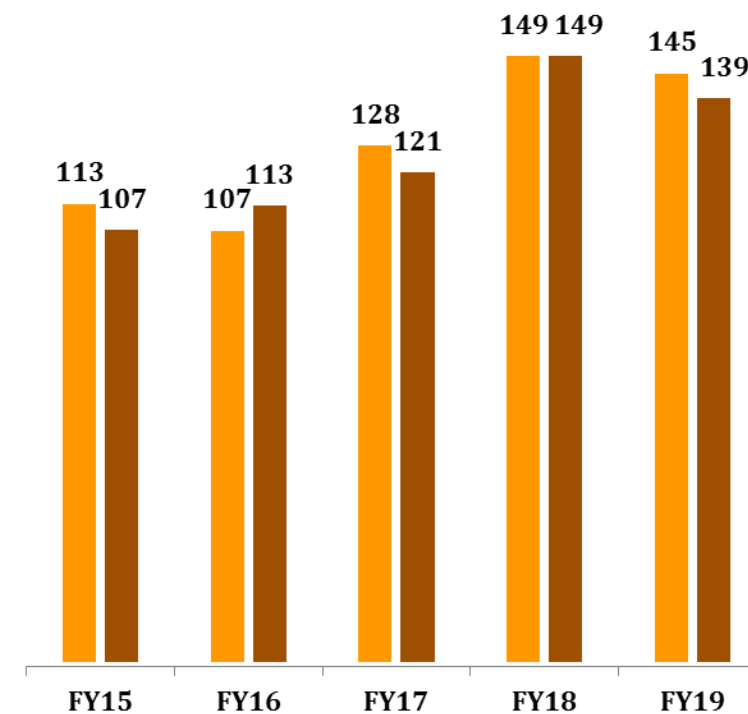
**Wire Rod**



**H. B Wires**



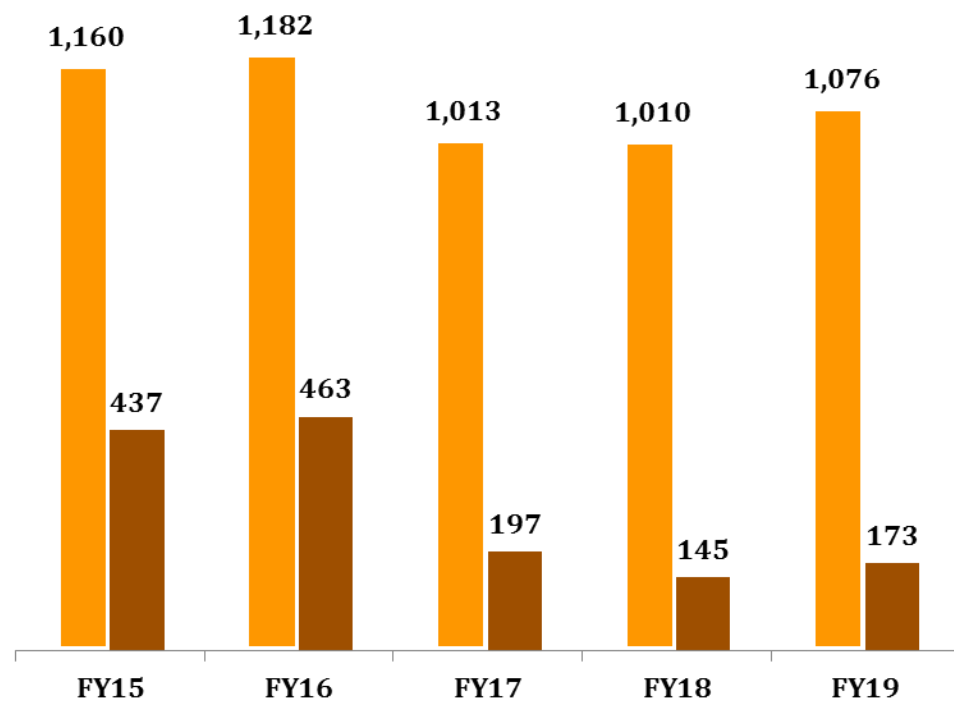
**Ferro Alloys**



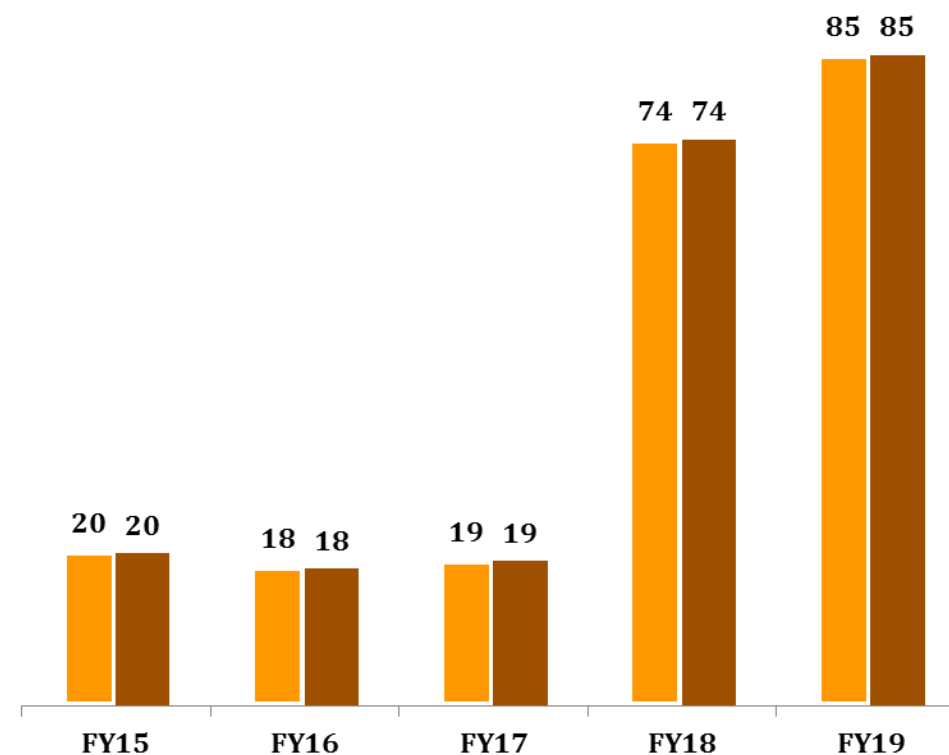
Production Sales

# Yearly Power Generation

Power (Thermal)



Power (Hydro)



Generation Sales

# Thank You



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