



“Sarda Energy & Minerals Limited
Q3 and Nine Months FY 2021 Earnings Conference Call”

February 15, 2021



**MANAGEMENT: MR. PANKAJ SARDA – JOINT MANAGING DIRECTOR - SARDA
ENERGY & MINERALS LIMITED
MR. MANISH SARDA – WHOLE TIME DIRECTOR - SARDA
METALS & ALLOYS LIMITED
MR. PADAM KUMAR JAIN – DIRECTOR AND CHIEF
FINANCIAL OFFICER - SARDA ENERGY & MINERALS LIMITED**

Moderator: Ladies and gentlemen good day and welcome to the Sarda Energy & Minerals Limited Q3 and nine months FY2021 Earnings Conference Call. 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 for 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. Manish Sarda, Whole Time Director from Sarda Metals and Alloys Limited. Thank you and over to you Sir!

Manish Sarda: Thank you very much. Good morning everyone. I extend a very warm welcome to all of you to the Q3 FY2021 Earnings Call of Sarda Energy & Minerals Limited. Our press release and investor presentation containing details of performance have been uploaded. Today’s discussion may include forward-looking statements, which must be considered in conjunction with the risks that the industry in general and our business in particular face and actual results may vary materially.

COVID impact: With fast reduction in COVID cases and start of vaccination in a big way, economic activities have normalized. The economic recovery is faster than expected and impact of COVID-19 is diluted to a great extent. The IMF, the Government of India and the RBI all have projected India’s next year GDP growth in double-digits, highest in the world.

During the quarter, all of our manufacturing facilities operated at normal capacity except the plant in Raipur where one of the five furnaces remained shut for refurbishing. During the quarter, we have achieved record production of steel billets and wire rods.

The environmental clearance for enhancement of production capacity of pellet plant from 6 lakhs tonnes per annum to 8 lakhs tonnes per annum has been received. Consent to operate the enhanced capacity of the pellet is expected to be received anytime during the current financial year. This increase in production will come into effect immediately on receipt of consent to operate without any additional capex.

The company has been declared successful bidder for two commercial coal mines. First mine is Gare Palma block IV/7 in Chhattisgarh at a distance of 280 km from the company’s manufacturing facilities. This has got extractable reserve of 142 million tonnes and existing approved mining capacity of 1.2 million metric tonnes. This is expected to be operational in the next financial year. Previously, this mine was held and operated by the company before cancellation of all coal mine allotments by the Supreme Court. The mine is backed by coal washery setup by the company, which was lying idle since March 2015.

Second mine is Shahpur West in the state of Madhya Pradesh with extractable reserves of 13 million metric tonnes and presently approved with extraction capacity of 0.6 million metric tonnes. The mine is at a distance of 260 km from the company's manufacturing facilities. The company has to start production in the mine within 51 months from the date of signing of the vesting order. Vesting orders for both the mines are expected to be issued in this month. The company's coal requirement will be met from Gare Palma IV/7 mine in Chhattisgarh. The company is taking necessary steps to restart the mine at the earliest possible.

I will give you a brief about the global and the domestic scenarios for steel and ferro alloys. The global steel production was marginally up by 6.7% year-on-year and 1.45% quarter-on-quarter. China recorded a growth of 9.4% year-on-year and degrowth of 3.4% quarter-on-quarter constituting 56.5% of global steel production. Ex-China production saw a growth of 1.99% year-on-year and 8.6% quarter-on-quarter.

India's domestic crude steel production during Q3 FY2021 was 28.78 million metric tonnes as against 27.3 million metric tonnes in Q3 FY2020 and 26.7 million metric tonnes in Q2 FY2021, registering a growth of 5.4% year-on-year and 7.82% quarter-on-quarter.

Finished steel consumption during the quarter was 28.2 million metric tonnes as against 24.5 million metric tonnes year-on-year, and 24.18 million tonnes quarter-on-quarter, clearly reflecting improved demand and consumption of steel. During the nine months FY2021, India exported 13.82 million metric tonnes as against 8.72 million metric tonnes during the nine months of the previous year and imported 3.41 million metric tonnes as against 5.82 million metric tonnes in the nine months of previous year. However, exports for the quarter fell year-on-year and quarter-on-quarter.

The Union Budget has focused on more government spending particularly on infrastructure building. This will give boost to the economic activities, which will have positive impact on demand of steel in the medium term. Sustained export will also help improve capacity utilization and stability of prices. Supply constraints of iron ore due to various constraints in mining dispatches at global level and delay in restart of mining post auction of mines at domestic level have resulted in demand supply mismatch.

The central government has allowed sale of iron ore by Steel authority to the extent of 25% which has eased demand pressure. Through an amendment in the mining laws, it is proposed to allow captive producers to sell up to 50% of the production on payment of specified premium linked with royalty rates; however, globally iron ore prices are still hovering around USD 160 metric tonne.

Recently, there have been price corrections in the domestic market, but post New Year holidays in China, demand and prices are expected to move up again. Ferro alloy prices remained stable during

the quarter; however, the prices have firmed up during the current quarter by about 15%. Ferro alloys exports are again on increasing trend after falling from June to October. During the quarter, the country exported 382,000 tonnes of ferro alloys against 403,000 tonnes in September quarter. We exported 10,600 metric tonnes of ferro alloys against 10,000 metric tonnes in Q3 FY2020. Prices of steel billets also remained at an elevated level during the quarter on account of improved demand both domestically and globally. During the current quarter prices have softened post sharp increase and should stabilize with a positive bias.

Now Mr. PK Jain will brief about the financial performance and position of the company. Thank you.

Padam Kumar Jain:

Thank you Manish Ji. The company reported consolidated operating income of Rs 604 Crores during the quarter as against Rs 548 Crores in the previous quarter and Rs.456 Crores in the corresponding quarter of the previous year, registering a growth of 32% year-on-year. The company has reported EBITDA of Rs.186 Crores during the quarter as against Rs 154 Crores in the previous quarter and Rs. 96 Crores in Q3 FY2020. Profit after tax at the consolidated level stood at Rs.116 Crores as against Rs.43 Crores in the corresponding period of the previous year and Rs.84 Crores in the quarter ended September 2020, reporting an EPS of Rs. 32 per share.

Hydropower during the quarter: We generated and sold 34.4 million units as against 37.35 million units in the Q3 FY2020, recording degrowth of 8% YOY on account of early withdrawal of the monsoon. However, during 9 months, we have recorded a growth of 24% by generating 120 million units against 97 million units in nine months period of previous year.

Debt position at the standalone level: The company is net debt free. In operating companies, the long-term borrowing stood at approximate Rs.625 Crores as against a total borrowing of about 700 Crores. As on December 31, 2020, bank balance and liquid investment stood at Rs.100 Crores. Term Debt, net cash and current investment stood at Rs. 350 Crores. Loan repayment within next one year is Rs 74 Crores. The debt equity ratio is below one. The bank interest rates are falling on the back of ample liquidity and our present cost of borrowing for operating plants is less than 9%.

Sikkim Hydropower Project: There has been some delay in deputation of the supervisory team of the equipment supplier from Europe due to COVID and also in receipt of some critical parts from the vendor, which has delayed commissioning of the project. The team of equipment suppliers from Europe has reached to the site for final inspection and pre-commissioning activities. Dry test run has been completed for the first unit. The pre-commissioning activities including filling of the tunnel will start soon and the first unit will be operationalized in this quarter.

The second unit will be commissioned in the next quarter. We have received environmental clearance for increasing our Sikkim Hydropower Project capacity from 96 megawatts to 115 megawatts. With an objective to add 30000 megawatt of Hydropower capacity by FY2030 on January 29, 2021 the Central Government has notified separate Hydropower purchase obligation to be met exclusively from large Hydropower Projects of more than 25 megawatt, which come into operations after March 2019. The HP obligation will increase every year. Power generated from our projects will be eligible for meeting the Hydropower purchase obligations. Hydro-energy certificate price has been capped at Rs. 5.50 per unit of electrical energy up to March 31, 2021 with annual escalation of 5% every year.

Outlook: India is expected to record GDP growth in Q4 financial year 2021 with overall contraction of less than 10% for the whole year. Increased export demand led to a balance in the demand-supply in the steel sector, enabling stable capacity utilization and improved pricing.

On global supply concerns, price of iron ore and steel is expected to remain firm. Various state governments and central government are also taking policy initiatives to incentivize fresh capital investment by industry. Because of lower leverage, our company is well placed to take the advantage of emerging opportunities. Commissioning of Sikkim Hydropower Project will further improve the financial performance of the company. Government policy for attracting investment in large Hydropower Projects will also boost the Hydropower sector.

This is all about our performance and outlook. Now we leave the forum open for questions from the participants. Thank you.

Moderator: Thank you very much. We will now begin with the question and answer session. The first question is from the line of Jatin Damania from Kotak Securities. Please go ahead.

Jatin Damania: Good morning Sir and thank you for the opportunity. Sir I just wanted to understand in terms of Hydropower, since you are indicating that our Sikkim project is expected to start by end of this financial year, have you got any indication in terms of the PPA and for how many years that we have signed it and the additional capex that we will be doing, what is the amount that we will be spending and how are we going to fund that capex?

Padam Kumar Jain: As far as the PPA is concerned, we have already signed PPA for 35 years. The second thing is pricing, which will be determined and approved by the Regulatory Commission. There is a regulatory process which is to be followed for getting the final price of the PPAs. In the meantime, we will be getting provisional tariff from the regulator, which we expect to get approved soon.

- Jatin Damania:** What will be the provisional tariff? Will it be landing with the other Hydropower projects or it will be higher than that and how much time will be taken in terms of getting a regulatory approval for that tariff?
- Padam Kumar Jain:** We expect we should get whatever tariff they are giving for the small hydropower projects now. We can sell it at about Rs.6 plus. So this is what we expect to on the provisional side in the near term.
- Jatin Damania:** Sir we will expect Rs.6 or Rs.5.50, but from the next financial year, the revenue from Sikkim will start kicking in right? There would not be any delay in terms of commissioning of the project?
- Padam Kumar Jain:** No, there would not be any delays for commissioning. Next financial year, we will be getting the full generation of power and so far its capacity is concerned, we have built up our capacity with 115 megawatts. We were awaiting permissions. No further capex is to be incurred on account of the increased capacity. We have already built up the plant with 115 megawatt generation capacity.
- Jatin Damania:** Sir once we receive an approval, then probably we do not need any other thing else. We can start operating 115 megawatt, if I am not wrong?
- Padam Kumar Jain:** Yes, but that 115 megawatt will be operating only during the peak season.
- Jatin Damania:** That is fine.
- Padam Kumar Jain:** Hydropower project operates at peak capacity only in the peak season during rainfall; for the rest of the year, it does not operate at the full capacity.
- Jatin Damania:** Sir I wanted to know the outlook on the pellet prices as we have seen the steel prices have corrected in the recent past and probably once the iron ore supplies get normalized in the country, how do we see the pellet price over the next 1 or 2 years?
- Manish Sarda:** Sir, it is very difficult to predict for two years at this point of time because there are a lot of things, which you will be knowing, in developmental stage. Frankly speaking right now we are seeing a global shortage of iron ore, which is there, basically in Brazil we are seeing some disruptions in supplies, in South Africa we have seen the climatic issues, which have cropped up, the rail disruptions, which are there. So for the next six months, I do not think there will be a very good supply of iron ore, which will be there in the country, or globally, but yes over a period of time mines will be operating and they will be producing. So, it will take some time. We cannot really predict for 2 years from right now, but for the next 6 months the markets look quite firm and bullish.

- Jatin Damania:** Okay. Sir next 6 months we expect the market to remain firm. In terms of increasing capacity because we have an approval to increase the capacity from 6 lakhs to 8 lakhs tonne so where are we on that?
- Manish Sarda:** We have already received the environmental clearance. The consent to operate will be received in this current financial year because there are two different permissions that you need to take - the environmental clearance come from Delhi and the consent to operate comes from the State Government. Once we receive that, we will be ready to operate and there is no additional capex on this additional 2 lakh tonnes of capacity enhancement.
- Jatin Damania:** Thank you Manish and Jain Ji. I will come back in the queue. Thank you.
- Moderator:** Thank you. The next question is from the line of Chetan Shah from Abakkus Asset Management. Please go ahead.
- Chetan Shah:** I am sorry I missed one data about debt position. Can you just give that number if you do not mind please?
- Padam Kumar Jain:** Definitely. We said that at the standalone level, we are debt free company. At the consolidated level if we see operating companies our total term debt is about Rs 625 Crores and total borrowing is about Rs 700 Crores including short-term borrowings and we have liquid investments of about Rs 100 Crores. Term debt net of cash and current investments is about Rs 350 Crores. This is the position as on the standalone level and at the consolidated level. If you consider total debt, it is about Rs 1550 Crores at gross level and at net level, which is net of cash and investment, it is about Rs 1350 Crores and net of the investment and loan it is about Rs 1050 Crores.
- Chetan Shah:** Thank you so much Sir.
- Moderator:** Thank you. The next question is from the line of Vikash Singh from Phillip Capital. Please go ahead.
- Vikash Singh:** Sir this recent notification regarding this secondary steel guys also being eligible to participate in the government tenders in terms of infrastructure and road and highway transportation, so I just wanted to understand what would be a new opportunity for us or we were already there in this space?
- Padam Kumar Jain:** This literally relates to the TMT bars; we are basically in the wire rods segment.
- Manish Sarda:** Let me answer that. What you are saying is the secondary steel producers are allowed now to participate in all the tenders of the infrastructure, but we as a company do not produce any TMT at the moment. We are just producing wire rods, which typically, is not going on the infrastructure side. It is

more on the application side. It will have materially no impact on us, but it is a boon to the secondary steel producers that they will be able to participate in all these government tenders now.

Vikash Singh: Sir, would you be able to share your thoughts on whether this would result in increased prices or given the current situation, you have seen that the primary prices should fall, so what is the view on this?

Manish Sarda: See there will be competition and it will be a healthy competition, but I do not see that the demand is so good on ground. I think everybody will have that place.

Vikash Singh: Sir in terms of inventory into the system, any thoughts on that? We have already seen that now the destocking would take place and supplies should go up or whether there is some more time? And if the price would remain under pressure especially on the long side?

Manish Sarda: Overall, I will tell you something - the prices will move according to the international pricing as well as the pricing of the raw materials. We have seen that coke has shot up to quite a bit. Today the imported coke pricing is at all time high. The imported RB2 coal and the domestic coal is also on a high. So the pricing of steel will dependent on various factors. It is just not the ground demand, but we are seeing good ground demand and we are seeing the prices, which had gone up quite a bit have come down also, but there will be some correction and stabilization will be there somewhere in between but the price for the steel market and for the steel products will remain firm and bullish.

Vikash Singh: What are the current prices of billets and wire rods vis-à-vis the steel rods, if you could tell me, what percentage or what amount higher or lower right now? Current billets, sponge, and wire rods prices vis-à-vis Q3 average?

Padam Kumar Jain: Q3 average.

Vikash Singh: Yes.

Padam Kumar Jain: Prices are still on the higher side as compared to the Q3 average.

Vikash Singh: Any ballpark number or how much they are high?

Padam Kumar Jain: If you would take the sponge iron, our Q3 average was below 21000. Now it is somewhere about 24000.

Vikash Singh: We do not see further price reduction from this level?

- Manish Sarda:** Price correction downward or upward do you mean to say?
- Vikash Singh:** Downward.
- Manish Sarda:** No, at the moment, we do not see any downward correction in terms of the pricing.
- Vikash Singh:** Just wanted to understand on your ferro alloy division price, so basically the prices had been peaking there also, in terms of silico manganese prices - what we have heard is that the prices are pretty high kind of a two-year high. So, I just wanted your understanding on that side, how do you see that market shaping up? What is the import parity vis-à-vis China and would the high prices in Q3 continue for long?
- Manish Sarda:** First of all, there are no imports, which are happening from China in ferro alloys. Whatever imports happen in the country are basically the smaller fractional sizes of ferro alloys, which come into the country and the noble ferro alloys, which come into the country. So, India typically is the largest sea borne exporter of silico manganese in the world and we as a company are also exporting silico manganese to around 62 countries in the world. As far as pricing is concerned, yes, the prices are high on the back of raw material pricing as well as there is a good growth in domestic demand as well as in international markets. Today what we are seeing is that the production centers across the world are under the grip of pandemic and they initially did not take that much care and today those production centers are suffering because of the pandemic and India that way has got an opportunity to supply silico manganese to the world. One of the reasons which I feel is that India is quite competitive in its approach to silico manganese production and plus I think the markets will remain bullish for at least 6 months.
- Vikash Singh:** Okay Sir. Thanks for answering my question. Thank you for taking my question and all the best of your future.
- Moderator:** Thank you. The next question is from the line of Parthiv Shah from Tracom Stock Brokers Private Limited. Please go ahead.
- Parthiv Shah:** Thank you for taking my questions and congratulations for a very good set of numbers. My question is regarding your pellet capacity - after your pellet capacity is enhanced to 0.8, may I understand what is the quantity that you are envisaging to sell in the open market and what sort of price are you projecting for this year?
- Padam Kumar Jain:** Our outside sales volume is about 4 lakhs tonnes and whatever additional production will be there, they will be going to the market; the capacity is going up by 2 lakh tonnes. So there will be additional sales of the pellet in the market by 2 lakh tonnes.

- Parthiv Shah:** So around 6 lakhs tonnes, the pellet will be selling in the market on a yearly basis.
- Padam Kumar Jain:** Yes.
- Parthiv Shah:** Okay, any sort of price that you have projected for entire year?
- Manish Sarda:** It is very difficult to project price for the entire year, because it all depends upon the raw materials also. We have our own captive mines so we are quite secured, but at the same time the dynamics of the market depends upon the raw material pricing in the global as well as the domestic market, but I think we are looking at a 6-month period where we think the prices will remain at the same levels or probably move up in case there are any disruptions at the global level, especially in South Africa and in Brazil.
- Parthiv Shah:** I had a question regarding any sort of modernizations required in your furnaces for this year any sort of modernization capex planned for this year?
- Manish Sarda:** Which furnaces? We have two types of furnaces, we have some submerged furnaces and we have induction furnaces.
- Parthiv Shah:** Either of them, any sort of modernization?
- Manish Sarda:** No Sir, Ferro alloy furnaces I think we have one furnace, which is under refurbishment and once that is done, I think we are practically going to have all the furnaces in place running.
- Parthiv Shah:** Any sort of downstream expansion plans into more value added steel products, may be something like TMT, 550D or something of that sort anything in the pipeline?
- Manish Sarda:** Not in immediate future. We are not doing any TMT right now.
- Parthiv Shah:** Thank you Sir. Thank you very much.
- Moderator:** Thank you. The next question is from the line of Mihir Desai from Desai Investment. Please go ahead.
- Mihir Desai:** Thank you for the opportunity. Sir my question would be on the two coal mines, which are mentioned in the presentation. So, can you please throw some light on when it will be operational and what would be the cost benefits which we will get from this mine?

- Padam Kumar Jain:** As we conveyed in our initial brief, our first mine of Chhattisgarh will come into operations in the next financial year. We have been given nine months' time to start and it was an operating mine, which was operated by us only. So, once we get all the necessary approvals, etc., it will start production immediately. So anytime in the next financial year we should be able to start the first mine in the state of Chhattisgarh. As far as the second mine is concerned, it will take about 51 months' time to come into operation. It will take about four years to complete and we are expecting to get the vesting order by end of this month.
- Mihir Desai:** Sir on the part of cost benefit from these mines?
- Padam Kumar Jain:** Cost benefit depends ultimately on the coal price. It is also something volatile and basically it gives a raw material security first and definitely it should give Rs.1000 plus advantage on a minimum side, but ultimately it depends on the market price of the coal.
- Mihir Desai:** Sir one followup on this is that the power, which we generate, we will utilize the whole power captively or we will also sell it to the grid?
- Padam Kumar Jain:** In Raipur thermal power, we are captively consuming 100% and in Vishakhapatnam we have surplus power as of now. There we have plan for an expansion. Post expansion surplus power will be very, very limited as it will be captively consumed. Most of the power generated is captively consumed.
- Mihir Desai:** Okay and post this, new mines also we will consume everything captively?
- Padam Kumar Jain:** Yes. Thermal we have not planned for any expansion hydropower, it is purely for the merchant supplies.
- Mihir Desai:** That is all from my side. If I have some questions, I will join back with you.
- Moderator:** Thank you. The next question is from the line of Kunal Kothari from Dam Capital. Please go ahead.
- Kunal Kothari:** My quick question is on the overall view on the iron ore and also do you see any oversupply situation going forward in the domestic side going forward?
- Manish Sarda:** On the iron ore side?
- Kunal Kothari:** Yes.

- Manish Sarda:** I do not think so there will be an oversupply in the iron ore side at the moment. There will be the new mines, which will be coming up and they will start the production etc., but it will take some time. So in the immediate future in the next 3 to 4 months, I do not see that happening.
- Kunal Kothari:** Sir can you throw light on like overall demand for iron ore in India and if we take the total of the auction mines in the last year and additional supply from the captive mines, what will be the overall demand supply situation like from your point of view?
- Manish Sarda:** Right now, I do not have it handy in that format, but we can definitely provide you separately.
- Padam Kumar Jain:** But most of the mines, which have been auctioned, were basically already operating mines. These are not the new mines - most of them.
- Kunal Kothari:** Sir one more thing for the NMDC in Karnataka additional 22.5% premium has been charged. So, the overall new mines which has been auctioned and going to be auctioned, will the additional cost add up to that for private sector also?
- Padam Kumar Jain:** No, they are already paying premium or above the royalty. They have picked in auction through the premium. Therefore, they will not be required to pay additional, what they have already agreed for the premium.
- Kunal Kothari:** Thank you Sir.
- Moderator:** Thank you. The next question is from the line of Shubham Agarwal from Equitas India. Please go ahead.
- Shubham Agarwal:** Thank you for the opportunity. Sir my first question is regarding the ferro alloy business. Sir you mentioned that refurbishment of one of the furnaces, is about to complete. I just wanted to know when exactly we are expecting this refurbishment to complete.
- Padam Kumar Jain:** One more furnace we have just taken for refurbishment. For next 6 months, we will be operating on the four furnaces.
- Shubham Agarwal:** For the next 6 months.
- Padam Kumar Jain:** Yes, for the next 6 months of the year.
- Shubham Agarwal:** So practically from Q2 FY2022 we can expect the entire ferro alloy capacity to be on steam?

- Padam Kumar Jain:** Not full Q2. Q3 you will get the benefit. Q1 and Q2 will also remain affected to some extent. From Q2 may be partly we will have but for the part of the period, it will not be available.
- Shubham Agarwal:** Secondly, last time you also mentioned that capex of Rs 125 Crores has been planned in this division. So, I wanted to know when are we expecting to start and complete this project.
- Padam Kumar Jain:** Hopefully, we will start by the beginning of the next financial year and it will take about 2 years' time to complete this project.
- Shubham Agarwal:** Okay and what is the capacity for this, Rs 125 Crores?
- Manish Sarda:** That will be 35 megawatt 36 MVA furnaces. So the capacity would be somewhere around 40,000 to 50,000 tonnes.
- Shubham Agarwal:** Then with regards to ferro alloy prices, we have seen that in Q3 the ferro alloy prices had bottomed out and post that it started increasing at a very rapid pace and after retrenchment of few Rs.1000 in the last few weeks, it has again touched Rs 70,000. So my basic question is I am trying to understand how will the margin get impacted by such sharp increase in ferro alloy. We had reported 11% margin for Q3, so how do you see this moving forward?
- Manish Sarda:** Which product are you talking about? Are you talking about ferro manganese or you are talking about silico manganese and if silico manganese, which grade are you talking about?
- Shubham Agarwal:** Sir I am talking in general, when compared to all the products like taking combine if you can explain?
- Manish Sarda:** No, because there are two different products that you produce here in India; We have silico manganese export and silico manganese domestic. The silico manganese domestic prices went up and they came down again and the silico manganese export prices are still hovering at the stronger level. So domestic pricing, had gone up to 70 levels then it came down to 65, 66 levels and currently there are holding it around 67 levels.
- Shubham Agarwal:** Basically, I wanted to understand how will our margin move in the current quarter and quarter next?
- Manish Sarda:** Margins will be dependent upon market pricing as well and the market looks to be hovering around these levels anywhere from 67 to 69 levels.
- Padam Kumar Jain:** Our margins have improved as compared to the previous quarter.

- Shubham Agarwal:** We reported 11% margin in Q3 and if you see Q1 it was around 18% so I am trying to understand whether our margins will go back to this level or how will it move?
- Padam Kumar Jain:** Yes at least for the current quarter, it should move to that level, but what happens to the next quarter depends on the raw material prices, how the things are moving in coke and manganese ore. It all depends on those things.
- Shubham Agarwal:** Fair enough, and how many months of manganese ore do we keep generally?
- Manish Sarda:** Normally we try and keep it around 1-1/2 months to 2 months.
- Shubham Agarwal:** There has been recent news about you know container freight prices being increased and given the substantial amount of ferro alloy we export, do you see any impact?
- Manish Sarda:** Basically, we give a FOB pricing, whatever freight and whatever container costs are there, it is actuals.
- Shubham Agarwal:** Secondly on the steel business so you said that we have received environmental clearance and only CTO is expected this quarter. So what is the general timeline that is you know from EC to CTO or how much does it take the normal timeline?
- Padam Kumar Jain:** We expect to get the CTO very soon. I think just before end of the current financial year and we expect to get some advantage even during the current financial year for the pellet capacity.
- Shubham Agarwal:** On the steel business again we saw margin decrease in Q3 compared to last quarter – from 29.4% to 25.9% - whereas the realization peaks somewhere in January, so I am trying to basically understand how to read these numbers, the decline in margins because given most of our competitors have reported our increase in margin.
- Padam Kumar Jain:** Yes one factor is there, where pellet is in last quarter if you see most of the margins were in the pellets and sponge iron and in last quarter our pellets sales were on lower sides. If you see volume wise, in the Q2 we had a volume of 142,000 tonnes and as against that, in this quarter we had only 98,000 tonnes and there was an inventory built up. That is one of the reasons for reduction in the margin and if you see, we have given the chart in our presentation also. If you see the margins at the finished goods level had not moved up that much in this quarter. It has moved up later-on, particularly in December and January the margins in the finished steel side had moved up. Initially, the movement was in the pellet prices and sponge iron prices, which had affected the margins for the finished steel side. So this has to be read in that way.

- Shubham Agarwal:** What is the average realization that we are expecting for Q4 for pellets even it has increased close to 12000 now?
- Padam Kumar Jain:** Now again it has come down from 12000.
- Manish Sarda:** 11,000, earlier it was 12000, now it has come down to around 11,000.
- Shubham Agarwal:** Okay, so my question was what is the average realization that we are expecting in Q4 for pellets?
- Manish Sarda:** The average realization of pellets.
- Shubham Agarwal:** Yes.
- Manish Sarda:** The thing is, you know the situation internationally right now is quite fluid. We will come to know exactly what happens once China reopens on the February 26, 2021 after the New Year. Because the global iron ore prices are completely driven by basically Chinese purchasing. And it is quite a big swing. Right now, it is trading at around \$175 to \$180 and people are expecting that the prices could move up to \$220. So it is very difficult to predict right now and it would not be correct until and unless the Chinese market open up and we see what exactly the future indexes are in store for us.
- Shubham Agarwal:** So my question is regarding the power business. When I see the sales, we reported Rs 54 Crores for the last quarter, which is a decline of 51% year-on-year. When I see the volume of sale, it is only marginally less compared to last year. So how could one register number?
- Padam Kumar Jain:** Basically in power segment we have two different verticals one in the hydropower and another is basically thermal generation. The hydropower is 100% merchant sales. Thermal power is sold as and when we get the opportunity from our Vishakhapatnam plant as I told, we have some surplus capacity of thermal power in Vishakhapatnam, which will be captively utilized post expansion. So whenever there is a reasonable price at the open market in the electricity IEX, then we sell the power from there. Otherwise, we do not sell the power. So that is why the volume has gone down. Last year we had an opportunity to sell the power in third quarter when prices in the IEX were very good because of the monsoon effect in that particular belt. This time the prices were not attractive enough to generate thermal power.
- Shubham Agarwal:** Lastly under the question of other income, so we reported a Rs 38 Crore other income compared to Rs 15 Crore last year. What is this attributable to the Q3?
- Padam Kumar Jain:** This other income includes basically change in fair value.

Shubham Agarwal: Okay got it.

Padam Kumar Jain: Change in the fair value of the investment.

Shubham Agarwal: Got it.

Padam Kumar Jain: That is one component, otherwise there are certain other interest income etc., and so materially the variation was on account of the change in the fair value of the investments.

Shubham Agarwal: Okay. Thank you.

Moderator: Thank you. As there are no further questions, I would now like to hand the conference over to you Mr. Manish Sarda for closing comments.

Manish Sarda: Thank you very much for your time and patience to hear us out and any specific details which are required can be obtained from our website and from our finance team, Mr. P.K. Jain is always there. Thank you very much.

Moderator: Thank you. On behalf of Sarda Energy & Minerals Limited that concludes this conference. Thank you for joining us and you may now disconnect your lines.