



“Sarda Energy & Minerals Limited
Q4 and FY2021 Earnings Conference Call”

May 25, 2021



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Moderator: Ladies and gentlemen good day and welcome to the Sarda Energy & Minerals Limited Q4 FY21 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. Pankaj Sarda, Joint Managing Director, Sarda Energy & Minerals Limited. Thank you and over to you Sir!

Pankaj Sarda: Thank you Madam. Good morning everyone. I extend a very warm welcome to all of you to the Q4 & FY2021 Earnings Call of Sarda Energy & Minerals Limited. Our press release and investor presentation containing details of performance has 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.

The consent to operate the enhanced capacity of the pellet plant was received in March 2021, helping the company to increase the production, despite shutdown of the manufacturing facility for a part of Q1FY21, continued shutdown of one ferro alloy furnace for refurbishing and shutdown of pellet plant in January 2021 for 22 days for periodical maintenance. During the year we achieved a record production of pellet, steel billet, wire rod, HB wire, and Hydropower.

I request Shri Manish Sarda Ji to brief about global and domestic scenario of steel and ferro alloys.

Manish Sarda: Thanks Pankaj. The infrastructure push at global level to boost GDP has generated demand for steel and other commodities. At global level, iron ore supplies are also affected. The demand supply mismatches have resulted into sharp price rise. Pollution restrictions imposed by China have further increased demand-supply gap in steel, boosting prospects for Indian exports.

India steel production and consumption both were down by about ~6%, but increased exports on the back of better prices, maintained tightness in supply, resulting into improved price realization. During FY21 India exported 17.38 million tonnes and imported 5.44 million tonnes against 11.12 million tonnes and 7.16 million tonnes respectively during the previous year, resulting into net increased outflow of 8 million tonnes of steel; prices of steel products remained volatile during the quarter, but stabilized at higher levels in March 2021 on account of improved demand consumption, both domestically and globally and has been going up since then.

Ferro alloys exports are increasing month-on-month after bottoming out in October-2020. During the quarter, the country exported 5,00,000 tonnes of ferro alloys against 382000 tonnes in the last quarter. In the quarter, we exported 15607 metric tonnes of ferro alloys against 8473 metric tonnes in Q4FY20.

Mining law has been amended to allow captive producers to scale up to 50% of the production on payment of specified premium linked with royalty rates.

I would request Mr. PK Jain to brief about the financial performance and position of the company.

Padam Kumar Jain: Thanks Manish Ji. Despite lockdown, the company achieved the highest consolidated revenue of Rs.2,200 Crores during FY2021 against about Rs.2,000 Crores in previous year. The company has reported EBITDA of Rs.664 Crores during the year against Rs.339 Crores in the previous year.

During the quarter we achieved revenue of Rs.700 Crores against Rs.438 Crores in Q4FY20 and Rs.604 Crores in Q3FY21. In Q4FY21 the company has reported EBITDA of Rs.226 Crores vis-à-vis Rs.23 Crores in Q4FY20 and Rs.187 Crores in Q3FY21. The company's profit after tax at consolidated level stood at Rs.376 Crores as against Rs.128 Crores in previous year resulting into earnings per share of Rs.104. The board has recommended dividend of Rs.7.50 per share against Rs.5 per share last year.

For the year under review, all the segments did better than previous year. At the standalone level, the company is net debt free company. As on March 31, 2021, bank balance and liquid investments stood at Rs.312 Crores, term debt net of cash and current investments stood at about Rs.1,400 Crores and net of loan at Rs.1,100 Crores. Loans repayable within next one year is Rs.113 Crores, present cost of borrowing in the operating plants is below 8%.

Shri Pankaj Sarda will brief you about Sikkim Hydro Project and industry outlook.

Pankaj Sarda: Thank you PK Jain Ji. As already informed, construction of the Sikkim Hydropower Project has been completed and both the units have been successfully synchronized with the grid in April 2021.

The company has received all approvals for enhancement of capacity from 96 megawatt to 113 megawatt. The project with enhanced capacity is expected to commence commercial operation in the next month and will be able to take advantage of the rainy season.

Talking about the ongoing projects: The company is making efforts to start mining in Gare Palma IV/7 coal mine in Raigarh, Chhattisgarh in the next quarter. Work on the Shahpur West coal mine is also proceeding as planned. That will come into operation in 2025-2026.

We have also started work on the third ferro alloys furnace of 36 MVA in Vizag which is expected to be completed before end of next financial year. The company also plans to start work on the 25-megawatt Rehar Hydropower Project post monsoon which will be completed in three and a half years from starting point.

Industry Outlook: The increased export demand has balanced demand supply in the steel sector enabling stable capacity utilization and improved pricing.

On global supply concerns, price of steel is expected to remain firm. Ferro alloys prices have firmed up substantially from March 2021; however, its full effect will be seen in the next quarter due to pipeline of orders. Due to stable price of raw material on the back of improved availability, conversion margins in ferro alloys have also improved. Commissioning of the Sikkim Hydropower Project will further improve the financial performance of the company. Projection of normal monsoon augers well for hydropower projects.

The central government and various state governments are also taking policy initiatives to incentivise fresh capital investments by the industry creating demand of commodities. The company is well-placed to take advantage of emerging opportunities.

This is all about the performance and outlook. Now we will leave the forum open for question 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 Satyan Wadhwa from Profusion Capital. Please go ahead.

Satyan Wadhwa: Good morning. Could you shed some light on the PPA for the Sikkim Power Project? What rate do you expect to get for it?

Pankaj Sarda: The PPA has been done and rate will be decided by the Commission after the project is commissioned. So, for all the hydropower projects the regulator decides the rate after commissioning of the project that is after COD is done.

Satyan Wadhwa: Any expectation that you might have at this stage?

Pankaj Sarda: For small hydropower projects the rate for last year was around Rs.6.15 per KWH so we expect it to be little bit higher than that.

- Satyan Wadhwa:** How many units do you expect to generate per year, I know it is hydro, so it depends on water flows level, but ideally as per I guess the DPR what is the expected generation annually?
- Pankaj Sarda:** If the power project runs for the full year the expected generation is around 400 plus million units.
- Satyan Wadhwa:** Thank you.
- Moderator:** Thank you. The next question is from the line of Raj Nahar from Mili Consultant. Please go ahead.
- Raj Nahar:** Good morning. Congratulations for excellent results. I have two questions; one is about the iron ore mine capacity basically, in one of the last year presentation or last quarter presentation, it was mentioned that you have a mine of 240 million tonnes, when is that mine likely to be commissioned? That is point number one and the second point is about the capacity of ferro alloys. How much it will increase, total capacity you will have including at Vizag and for the Siltara will be how much capacity? Thank you.
- Manish Sarda:** This additional iron ore mines as you are aware the central government has amended the law, where all cases have been closed and now all the mines have to be acquired only through auction process so whatever pending cases were there those have been closed by the central government by change in the law. Second is so far as ferro alloys capacity is concerned in Vizag this is about 50,000 tonnes per annum additional capacity.
- Raj Nahar:** No, I wanted to know basically what will be the total capacity of ferro alloy after commissioning all your expansions.
- Pankaj Sarda:** After complete expansion at Vishakhapatnam the capacity will be 1.5 lakh tonnes and in Raipur, we have about 80,000 tonnes of capacity.
- Raj Nahar:** Thank you Sir. All the best.
- Moderator:** Thank you. The next question is from the line of Vikas Singh from Phillip Capital. Please go ahead.
- Vikas Singh:** Good morning Sir. Sir my first question is I want to understand have we seen any problem in terms of production because of recent restrictions by different state governments?
- Pankaj Sarda:** There were a lot of restrictions imposed and as you know Chhattisgarh was also under complete lockdown. So, there was a little effect, but our team came together very positively

and for 3-4 days of little production hamper that was there in ferro alloy was immediately ramped up again. So hardly, because of labor issues, a little production came down for 4-5 days then it came back to normal, it was almost near normal.

Vikas Singh: Sir, currently the spot prices seem to still be higher than what we have got in Q4FY21 that I just wanted to understand what is our assessment in terms of market since the local demand is kind of absent so how are you coping up, what are the reasons the prices will stay firm, like you said in your opening remarks?

Pankaj Sarda: Mr. Manish can also elaborate more later but as you see in most of the steel plants in Gujarat, in South is completely facing lot of issues and production is hampering there a lot of materials would be going towards western and southern region of the country and lot of steel is getting exported because of very positive export demand from the country so that is also keeping the prices firm. Almost 8 million tonnes extra export is there in terms of steel so that is also keeping the steel prices firm.

Vikas Singh: Our near-term assessment is that steel prices would remain firm is that a correct understanding at this point of time?

Pankaj Sarda: Yes.

Vikas Singh: Sir I want to ask you one more question, couple of ports from where you usually export ferro alloy has recently declared force majeure for 15 days. So just wanted to understand whether they have resumed or any of the exports got impacted for our company? How is the situation in our ferro alloy business?

Manish Sarda: I do not think so there are any restrictions at Vizag port or Gangavaram port or the Vishakhapatnam container port. There are slowdowns in terms of getting containers, but exports are happening and are going on, only Karaikal port has declared force majeure.

Vikas Singh: No, Gangavaram port has also declared force majeure for 40 days basically last couple of weeks back only in end of April 2021. So, have we seen any dispatch problems, slowdown in there?

Manish Sarda: Not till now, we have not faced because we are also doing business with Gangavaram Port. We have not faced issues of any delays, we have not faced stoppage or anything of that nature right now.

Vikas Singh: One thing for Manish Ji, basically with Chinese focusing more on their internal requirement, ferro alloy also they have reduced the import duty and actually they did some export duty on that so have we seen any pricing or the demand scenario increasing because

Chinese are vacating ferro alloy business also in the export market which would eventually benefit us or the situation would not change much, will the situation remain?

Manish Sarda: It will benefit us in the long run because China has recently imposed export duties on all products which are consuming high electricity and high coke, so they have imposed duties on ferro chrome and ferro silicon which they were importing in a big way and there are curbs which are announced for the ferro alloys industries because of many reasons and this in the long-term will also be beneficial to India.

Vikas Singh: Any pricing related benefit which was visible since then?

Manish Sarda: Yes, we are seeing some pricing related changes after the imposition of the curbs. The prices have not gone down. It has gone up only and the immediate increase that we saw was around \$20.

Vikas Singh: If I may ask one last question. In terms of our coal mine, so at current coal prices, if you could just let us know what is the target in terms of ramp up and what kind of cost savings, we can expect from them?

Padam Kumar Jain: Can you repeat the question please, pardon?

Vikas Singh: Coal mines which we are going to start, basically, by when it can be ramped up to the full potential and at current prices what kind of cost savings, we can expect from it?

Padam Kumar Jain: This mine we have a permitted capacity of 1.2 million tonnes per annum, and we can start , to achieve within the current year itself, once we start the mines we should be able to produce pro-rata output from the current year itself and ramp up from 1.2 to 1.8 million will take place soon after getting the necessary approvals for which process has already been started, and so far the price savings are concerned, we expect about EBITDA addition of about Rs.1,000 per tonne from the coal mine.

Vikas Singh: So, per tonne of coal or this per tonne of steel production which we are building in just for a clarification purpose?

Padam Kumar Jain: Per tonne of coal.

Vikas Singh: Thank you Sir that answers my question. Thank you, Sir and all the best, for future.

Moderator: Thank you. The next question is from the line of Anand Shah from ICICI Prudential Asset Management. Please go ahead.

- Anand Shah:** Congratulations for the results as well as the Sikkim Hydro power project. My question is more around Sikkim Hydropower project, would there be seasonality, would it be run of the river Hydropower Plant and to that extent would there be seasonality in terms of production and revenue?
- Pankaj Sarda:** This is a run of the river Hydropower Plant and yes it depends on rain fed mostly.
- Anand Shah:** It would be largely Q2-Q3 production because even if you see currently this March 2021 quarter also, we had a quite a fall in the existing hydropower plant in terms of production?
- Pankaj Sarda:** All our hydro projects are rain fed and that is why you see fall in units generated in Q4.
- Anand Shah:** Sir largely we would see most of the production revenue and EBITDA in Q2 and Q3 is that correct?
- Pankaj Sarda:** Correct perfect. You are absolutely correct.
- Anand Shah:** Against 129 million units of hydropower which you have generated you will say you will be able to add around ~400 million plus further units in the next financial year is that correct?
- Pankaj Sarda:** Absolutely.
- Anand Shah:** Coming to steel, also if I see in your presentation the realization of pellet was around Rs.10,000 if I am not wrong for the quarter and current prevailing pellet prices are far higher but we also understand that the steel and the billet prices and sponge iron prices have not responded so just to get a sense if most of the profitability is in the pellet how are we operating and what is our outlook in this year in terms of the profitability from the steel operations?
- Padam Kumar Jain:** Last quarter realization was about Rs. ~11,000. It is given in the presentation.
- Anand Shah:** Correct, but what I am saying is that this billet prices have actually struggled to move up and to that extent while the pellet prices have gone up so profitability of sponge and billet would be lower?
- Padam Kumar Jain:** Slightly, deviation is always there that we have given in our presentation value addition slide is there where you can see effect on the billet realization. Billet realization if you see last time, value addition was about Rs.13,000 per tonne now which is about Rs.12,400 per tonne, which is also given in our presentation, in certain segments margins have expanded and in certain segments it is slightly compressed.

Anand Shah: My last question is with regards the Sikkim hydropower plant overall cash flows will be very healthy in coming years and you have already announced one small expansion on the Vizag plant. How do we expect where would the next set of capex will go into whether it will go into further strengthening the entire value chain or whether in the expansion?

Padam Kumar Jain: It is basically strengthening the value chain. We have already planned for the coal mines. Already for the strengthening of the value chain one of the expansions is in the coal mines. At the right time we may go even for further iron ore mines to strengthen, so definitely that is one of the focus areas.

Pankaj Sarda: Also, Sir, the addition of the ferro alloys furnace is strengthening our front integration because our Vizag power plant runs at a 70% capacity now, with the addition of the third furnace the power plant capacity can be fully utilized.

Anand Shah: You spoke of expansion of iron ore, you already have approval for 1.5 million is it correct?

Padam Kumar Jain: Yes.

Anand Shah: Given that, where the iron ore prices are, do we have a plan for the capex for this FY22 or have you shared that?

Padam Kumar Jain: FY22 as already informed we have a ferro alloys expansion, coal mines expansion, and definitely certain spending on the Sikkim project and then we are going for the Rehar Hydropower Project, so these are the four expansions which have already been taken up.

Anand Shah: Thank you very much. This helps.

Moderator: Thank you. The next question is from the line of Vrinda Khandelwal from Tusk Investment. Please go ahead.

Vrinda Khandelwal: Thank you for the opportunity. I have two questions; the first one is do you believe there will be financial viability for coal mines at around 66% premium so will that be value accretive. Secondly what are your debt reduction plans over the next two years? Thank you.

Padam Kumar Jain: Coal mine is definitely value accretive in the present demand scenario this is an existing operating mine. It was earlier operated by us only and because of this our cost of acquisition we already had the land bank and etc., everything, the cost of that acquisition is lower for us. It has got large reserves both on-ground and underground, open cast and underground. So, this is definitely a value accretive mine and this is a commercial mine not captive one. This has got huge reserves as compared to the present permitted capacity of 1.2 million. I think we have an extractable reserve of more than 140 million tonnes. So that way it is a

very good mine and located at a very strategic location and surrounded by many power plants. Second so far as debt reduction is concerned as I mentioned, we have planned up the expansions whatever is left out after meeting our expansion projects will definitely go for the debt repayment.

Vrinda Khandelwal: Thank you.

Moderator: Thank you. The next question is from the line of Niraj Mansingka from White Pine Investment Management. Please go ahead.

Niraj Mansingka: I wanted to know the capex that you have planned; can you please give me the quantum of that in amount is going to be spend over next 3-4 years for each project?

Padam Kumar Jain: As already communicated this Vishakhapatnam capex is about Rs.135Crores then hydropower project will be about Rs.250 Crores then coal mines project will be ~Rs.400 Crores-Rs 500 Crores over a period of next 4-5 years these are the three major projects which we have taken up.

Niraj Mansingka: Sir, this coal project of Rs.450 Crores this will be mostly the Shahpur mines?

Pankaj Sarda: This includes both the coal mines.

Niraj Mansingka: The other question is Sir, iron ore the capacity that we have mining is 1.5 million tonne, the iron ore grinding capacity can you throw some light on that so how you are planning to increase that capacity?

Padam Kumar Jain: I could not get your point.

Niraj Mansingka: So, iron ore pellet capacity is 8 lakh tonnes, and iron ore mining is 1.5 million tonne. So is it fully utilized on mining or is the pellet underutilized?

Pankaj Sarda: Sir, as you know this is a low-grade mine, we are sourcing around 45% of our requirements from our iron ore mines captively whereas 50%- 55% we procure from outside so that is why this is the scenario that you have just asked I think so if I am able to answer question correctly.

Niraj Mansingka: No, that I understand basically the thing is until in this point of time till the project capacity you are taking and until and you would not reach the more mining capacity on the internal segment is it right to assume that?

Pankaj Sarda: Sir your voice was breaking I think so can you come again?

- Niraj Mansingka:** Do you see in future in say next 3-4r years you increasing the capacity of iron ore mining in Chhattisgarh?
- Pankaj Sarda:** No. I mean maybe 10% - 15%. That is it.
- Padam Kumar Jain:** Not materially from this mine but from other mines definitely we can increase.
- Niraj Mansingka:** Last question Sir, on some mining royalty NMDC there is a possibility of NMDC royalty increase in Karnataka so do you see any impact on the royalty payment that you have to do for your mining activity?
- Padam Kumar Jain:** No, royalty is fixed. For captive there is no change in the royalty.
- Niraj Mansingka:** Thank you.
- Moderator:** Thank you. The next question is from the line of Chetan Shah from Abakkus Asset Management. Please go ahead.
- Chetan Shah:** Sir my question has been answered. Thank you, Sir.
- Moderator:** Thank you. The next question is from the line of Mohit Jain from JK Paper Products. Please go ahead.
- Mohit Jain:** Thank you for the opportunity. I just wanted to know regarding this power project, if total project is completed, so do we have any income this quarter, Q1FY22 I mean to say?
- Padam Kumar Jain:** Not materially. In June 2021 we will get some income but not materially.
- Mohit Jain:** Okay you mean to say only from Q2FY22, you will be getting.
- Padam Kumar Jain:** Yes, we will get some income, but not materially.
- Mohit Jain:** In second quarter also.
- Padam Kumar Jain:** No, not in the coming quarter. Second quarter we will be operating fully. We will get normal operating income.
- Mohit Jain:** Thank you.
- Moderator:** Thank you. The next question is from the line of Amit Shankar from RBL Bank. Please go ahead.

Amit Shankar: Good morning Sir. Good to see a strong Q4FY21 performance. I have 2 very specific questions; first on the Sikkim project. Just to confirm that as you mentioned the tariff is still to be determined but the PPA is signed right there is no operational delay in any of the steps in signing the PPA. so, nothing is pending on the PPA right?

Padam Kumar Jain: Yes, nothing is pending.

Amit Shankar: If there was any, what was the cost overrun for the Sikkim project?

Padam Kumar Jain: Pardon.

Amit Shankar: The cost overrun if there was any?

Padam Kumar Jain: If there is any?

Amit Shankar: Sir what was the total quantum of the cost overrun for the Sikkim Hydro Project?

Padam Kumar Jain: Now the completion cost is somewhere around ~Rs.1,600 Crores.

Amit Shankar: Sir but was it higher than the initial estimated cost. I am sorry if that question was already answered but was the initial estimate lower than Rs.1,600 Crores or is it in line with the estimate?

Padam Kumar Jain: Initial estimate was lower than that. There have been two reasons because of time delays, poor geological conditions in the Himalayan region.

Nilay Joshi: To further add that initially it was a 96-megawatt project and now it is actually a 113 megawatt, so that also you have to factor in.

Amit Shankar: My second question is on your expansion for pellet and billet and wire rods as you have put in your presentation so what is the corresponding debt that you have added, or you will be adding corresponding to these expansions?

Padam Kumar Jain: No addition. Whatever pellet expansion is there this was based on the available capacity effective utilization of that capacity and there is no further borrowing whatever has been expanded that is already there in the balance sheet.

Amit Shankar: But you have some expansion for metal and alloy segment as well?

Padam Kumar Jain: Yes.

Amit Shankar: That I wanted to know what will be the corresponding debt number that will be added to the metals and alloy expansion.

Padam Kumar Jain: Appropriate call will be taken depending upon our cash flow position but there would not be any major addition from this present level because there are repayments also even if loan is taken, the overall debt is not going to increase on that account because the regular repayments are also going out.

Amit Shankar: In summary the estimate is not available right now, but overall, you are saying that there will be no major addition to the debt right if I understand you correctly?

Padam Kumar Jain: Debt will go down based on the present projects and based on the present earnings, debt will be reduced from this level.

Amit Shankar: Thank you Sir.

Moderator: Thank you. The next question is from the line of Anshuman Mohta from Nagarman Saraf Securities. Please go ahead.

Anshuman Mohta: Congratulations for a great set of numbers. Sir, what is the realization price can we achieve for iron ore pellets for this quarter and the quarters ahead because the prices are very high and average price realized by us is around Rs.11,000 per tonne?

Padam Kumar Jain: Yes, projecting for the next quarter it will be very difficult because of the volatility. It is very difficult to give any number, but current quarter will definitely be substantially higher from what we have achieved in the Q4FY21.

Anshuman Mohta: Sir, going ahead the volatility at what prices do we see the prices stabilizing in the near-term or sometime in the future?

Manish Sarda: Yes, I think we have entered bullish metals and commodity cycle. But the prices which we saw 15 days ago were quite high and right now we are seeing a stabilizing pricing mechanism, which will be in play, but India will continue to export and India's domestic demand will also be strong so I think more or less we will see a bit of softening and then we will see a stabilized pricing for all products and it looks in the near-term for the next six months the market looks to be quite bullish on the back of raw material prices also and on the back of international freights. If you look at all the freight prices, crude prices, commodity prices, whether energy prices, coal, coke, coking coal everything has gone up.

Anshuman Mohta: Just one question, as everything is going up so international demand is there, what if the inflation rises internationally and like what is the scene for that?

Manish Sarda: So, we have seen that the curbs have been put in place in China and from \$235 odd iron ore has slipped to around \$200 right now. We expect that iron ore to stabilize if you look at the Futures also in Shanghai Futures if you look at it, it is hovering at around \$160 and \$175 depending upon the grade of the iron ore that they are going to import. Futures also tell us quite a bit of story. We are expecting it to stabilize at around odd \$175. If crude remains above \$75. I think the freight markets are not going to go down and as India is a large energy importer, we will have to continuously import coal. There is a back of raw material pricing as well as domestic and export demand. We as a group look at it that the next six months will be quite stable and quite strong for the steel and allied products that we are into.

Anshuman Mohta: What about coking coal, coking coal prices also will remain?

Manish Sarda: Coking coal prices have been the most subdued in the entire steel DNA, raw material chain if you look at it was hovering at around ~\$116- and then on the back of crude, freight and seasonal problems in Australia it has moved up to \$135-\$140 but as long as it is somewhere around \$160 I think beyond that coking coal will not be rising up because China's demand has been curtailing and they have been trying to utilize their own coking coal in a major big way and Colombia has emerged as a good producer of coking coal. Their coking coal is also being exported in global markets now.

Anshuman Mohta: So, you said \$160.

Manish Sarda: Yes, coking prices are there around those levels \$140- \$160 levels I think that should be fair for the next 3-4 months.

Anshuman Mohta: Currently it is at \$130- \$140 levels.

Manish Sarda: Yes, currently it is hovering at around \$130 - \$140 levels.

Anshuman Mohta: If coking coal prices rise and if iron ore stabilizes so steel prices can further still escalate the raw material getting dearer?

Manish Sarda: It also has to be in combination with the demand internationally as well as domestic. All the steel prices have to be on the backbone of the raw material price increase as well as the demand scenario in domestic and exports as well but there will be a bit of scope of price rise, but I think people would like to have a stable price rather than having a quick spurt and a quick fall in pricing.

Anshuman Mohta: One last question, regarding the gap between the prices of Indian steel vis-à-vis imported steel how much and how long will there be a major gap which is being seen currently?

- Manish Sarda:** The major gap which you are seeing basically is in finished products if you look at it, there is a gap, and this is basically because of the supply restriction and supply disruption that has happened in few parts of the world. Like Spain is a large producer, Germany is a big producer of good quality steel but there have been supply issues in terms of raw material there and also in terms of production facilities. We have seen a lot of curtailment and lot of production hampering happening in global parts of the world and that is why if you look at India's export which has gone up quite significantly that has happened because Indian products are cheaper compared to Chinese and their quality is also highly regarded in the international markets. I personally feel that for the next at least three months this thing is going to go on the difference between the international pricing of Chinese products and our products are going to be there. We will always be a little lower than their pricing and that is good as a country it should be good also because we are more price competitive.
- Anshuman Mohta:** You said due to supply constraints from Spain and Germany is it because of COVID-19 or some other aspect?
- Manish Sarda:** COVID-19 has definitely played a big role.
- Anshuman Mohta:** Our supplies are not impacted because of COVID-19? we are more affected as compared to these countries as far as COVID-19 is concerned?
- Manish Sarda:** We have also faced those problems. We have also faced shutdowns. We have also stopped our plants. We have also had supply disruptions. We have also had logistics issues but the plants in India I think were quite aware and quite forward-looking in terms of taking precautions and taking issues at hand. That is why the industrial activities continue to happen. There were issues faced by each and every plant, lack of oxygen is also there. It is also there. Everybody is trying to manage. See lot of people who have integrated their plants with newer technologies like for example I will tell you in ferro alloys people have adopted drilling, where drilling is there in bigger plants and larger furnaces what is happening is that the oxygen requirement goes lower and the old plants which are there in the country which are traditional plants their requirement is quite high for oxygen, so they have lost production.
- Anshuman Mohta:** Modern plant versus the traditional ones?
- Manish Sarda:** Yes.
- Anshuman Mohta:** I got it totally. Thank you for the great insights. Thank you so much.

Moderator: Thank you. The next question is from the line of Abhishek Jain from Arihant Capital. Please go ahead.

Abhishek Jain: Thank you for taking my question. My most questions have been answered. The only few questions are there, first is because I have joined late because of some issues. Can you tell when is the Gare Palma will be operational and I believe this must have been answered but actually and what will be the cost saving per tonne afterwards?

Pankaj Sarda: We are trying to start Gare Palma in the next quarter.

Abhishek Jain: Savings per tonne Sir and what will be the saving per tonne this is for my understanding?

Pankaj Sarda: Saving per tonne would be ~Rs.900 - Rs.1000 per a tonne.

Abhishek Jain: Thank you.

Moderator: Thank you. The next question is from the line of Vineet Sochanti from Keynote Capital. Please go ahead.

Vineet Sochanti: Firstly, congratulations on the very strong performance for the last quarter. I have a question which relates to sort of the strategy of the company especially in regard to the hydropower business. Now I think you have already got 50 megawatts of hydropower operational plus you have implemented the 113 megawatts. Going forward are there thoughts around segregating this business from the existing business of metals within the group or do you sort of in the near-term look at having this as a part of the same entity and any thoughts around that? My second question is more relating to the Sikkim hydropower project. Do we have any taxation benefits in the Sikkim hydropower projects? These are my two questions.

Padam Kumar Jain: As far as your first question is concerned that will be evaluated at the appropriate time once the larger plant of 113 megawatt is stabilised and it is refinanced definitely then we will evaluate the pros and cons and at appropriate time it is considered to be appropriate then the hydro business maybe taken into a separate entity. As far a second question is concerned, second question was tax benefit there is no special tax benefit for this hydropower project.

Vineet Sochanti: Thank you.

Moderator: Thank you. The next question is from the line of Parag Ved from SSPA & Co. Please go ahead.

- Parag Ved:** Sir my question is regarding consolidated cash flow now there is an outflow of around Rs.147 Crores, loans and advances and other assets can you just throw some light on this to whom this Rs.147 Crores has been given?
- Padam Kumar Jain:** This includes advances given also. If you see the balance sheet there is a cash flow of that. The specific details we will provide you offline but that includes the advances given for the procurement of raw material also in the given situation we have given certain advances for procurement of iron ore.
- Parag Ved:** Sir my question was that if you have given money as advance for raw material is it to secure the raw material or now by given money in advance, we are getting some little lower price?
- Padam Kumar Jain:** No to secure the raw material not at the lower price say NMDC etc., you have to provide in advance. So that is right. Securing on time some advances were given and in loans that it has the effect of about Rs.50 Crores so if you see the consolidated balance sheet the increase is about a Rs.50 Crores.
- Parag Ved:** Yes, the cash flow was still Rs.147 Crores so that is what the question. Sir my second question is how much is our normal maintenance capex per year on an average?
- Padam Kumar Jain:** Normal capex.
- Parag Ved:** Yes, maintenance capex.
- Padam Kumar Jain:** Normal maintenance capex you can assume at the group level, you can assume approximately Rs 30 Crores.
- Parag Ved:** Thank you Sir.
- Moderator:** Thank you. The next question is from the line of Gaurav Himatsingka from Miura. Please go ahead.
- Gaurav Himatsingka:** Congratulations on a good set of numbers. I have a question on the ferro alloy pricing on television interview yesterday Padam Ji said that the average realization for silicon manganese was Rs.91,000 per metric tonne. Could you tell us, what was the average realization over the last quarter, Q4FY21?
- Padam Kumar Jain:** Last quarter it was Rs.66,500 it is given in our presentation also but what I said was that the present prevailing price is Rs.90,000 a tonne, ferro alloy prices.

Gaurav Himatsingka: Second question was we have some manganese ore mines which were allotted to us by the MP government any progress on the exploitation of those mines or are those go like our iron ore mines?

Padam Kumar Jain: No. All pending cases have been closed.

Gaurav Himatsingka: Thank you.

Moderator: Thank you. The next question is from the line of Chetan Mittal an individual investor. Please go ahead.

Chetan Mittal: Good afternoon Sir. I have couple of questions on your Sikkim hydropower plant and synchronization of plant. I was noticing that the Sikkim plant was initially expected to start by December 2020 then deadline was even in January 2021 then March 2021 and then May 2021 so just wanted to understand what has caused the delay and how much confident you are to start commercializing it say in June 2021?

Padam Kumar Jain: COVID-19 has definitely affected our operations. That is one of the reasons is nonavailability of the foreign equipment's suppliers, technicians. Those things happen because in last one year there have been COVID-19 issues. Many, many times as Sikkim has been very, very stringent in these matters about the entry and exit of the personnel and as already informed we have completed the projects, the Sikkim plant has been synchronized with the grid, generation has taken place, those have been tested. before that commercial operation, after synchronization whatever small shortcomings was found out those are being attended but as told because of all these restrictions now coming back of the European technicians and all those things so it is taking a little bit longer time than what we expected but plant has already been commissioned, tested, generated the power.

Chetan Mittal: Sir just to extend that question synchronization took place on April21, so it has already been more than 40 days and now the new deadline is for June, I am just curious because as you mentioned Q2FY22 and Q3FY22 is a major revenue portion for this new line, so if there is an expected delay we will be losing on the Q2 earnings so that is my only concern if you can address that?

Padam Kumar Jain: No, this will be commissioned in June-21.

Chetan Mittal: Any idea first half or second half?

Padam Kumar Jain: Giving specific timeframe in the COVID-19 scenario it is very difficult because we are working in a very different situation.

Chetan Mittal: What steps are left to commercialize suppose since synchronization is already could get one month time?

Pankaj Sarda: I will answer this question. See we have done all the testing and everything and the grid synchronization has already happened see because of the various lockdowns in different parts of the world also domestically we are seeing a lot of issues in terms of movement of goods, materials, manpower everything which has happened over the last three, four months. Now the international flights are also not operating. There is a procedure of commercial production to start off and we are already ready with that. A definite answer to that will be very difficult but as Mr. Jain has already mentioned that in June-21 we are doing it. So that will be done in the month of June-21. We are just waiting because we do not want to commit something right now for that month like first half or second half. It is very difficult.

Chetan Mittal: Second question would be on the diversification plan. I understand the value of the annuity-based revenue just I would like to have the thoughts on if you have solar power plant in your plan going ahead because there is lot of power plants, hydro plants in your pipeline?

Pankaj Sarda: We have a 2-megawatt solar plant, but it is not in this company. We have a very small solar plant 100 kilowatt solar plant very negligible in terms of solar generations.

Chetan Mittal: Sir my last question, I heard that you are planning to invest in coal plants going ahead. I notice that the industry is going a structural change we have the big player from moving to green hydrogen going forward so probably in next 10 years- 15 years that would be thing to do so if our company while taking a decision on the next acquisition of coal plant are we going to consider that as a scenario for our future perspective?

Pankaj Sarda: As of now, we will be diverting lot of coal to our captive power plants, which burns coal as a fuel. We will be reducing our import of coal to these plants to the sponge iron everything and we will try to mitigate those quantities from our existing coal mines.

Chetan Mittal: Thank you Sir. That is all from my side.

Moderator: Thank you. The next question is from the line of Niraj Mansingka from White Pine Investment Management. Please go ahead.

Niraj Mansingka: Just a small observation that the revenues for the power jumped up on a Q-o-Q- scale in your consolidated from Rs.54 Crores to Rs.179 Crores any specific reason that was there some one off or something like that because the EBIT numbers did not change much?

Padam Kumar Jain: Can you repeat your question? There was a distortion in the voice.

Niraj Mansingka: The revenues in the power plant segment went up from Rs.54 Crores to Rs.179 Crores on a quarter-on-quarter scale from December to March but the EBIT have not changed in fact EBIT is lower so any specific reason why the revenues were higher, but they have not flowed down to the EBIT number?

Padam Kumar Jain: Yes, the reason is this power plant revenue includes the captive consumption of the power, which is transferred at cost. So, EBIT we are generating only from hydropower activities whereas the power business includes the captive transfer of the power generated because sometimes we sell thermal power also, small quantities that is why power is considered as a separate segment, but mostly thermal power is captively consumed, the power revenue includes the captive transfer of power which does not have any profit on that that is the only reason.

Niraj Mansingka: Sir, just an observation that the production of thermal power was higher by only 10% on a Q-o-Q scale but the revenue reported were higher by more than 2x?

Padam Kumar Jain: Offline we will revert to you.

Niraj Mansingka: Thank you.

Moderator: Thank you. The next question is from the line of Shubham Agarwal from Equitas Investments. Please go ahead.

Shubham Agarwal: Thank you for the opportunity. Firstly, I would like to congratulate the entire team of Sarda for delivering such a good Q4FY21 numbers. I have 2 questions; firstly, I wanted to understand what is the total captive requirement of coal at company level in Sarda? Secondly what is the reduction in cost of debt that we expect after commissioning of hydropower project in June-21?

Padam Kumar Jain: Our captive requirement of coal is about 8 lakhs tonnes in Raipur and total if we consider both of Raipur and Vishakhapatnam it is more than 1.2 million tonnes. What is your second question?

Shubham Agarwal: Secondly, I wanted to understand what is the reduction in cost of debt for the hydropower project that we expect after commissioning in June?

Padam Kumar Jain: It will be quite substantial. Giving definite number will be very difficult but it will be very, substantial should be somewhere about 4%.

Shubham Agarwal: Right now, what is our cost of debt there?

- Padam Kumar Jain:** Cost of debt is more than 12%.
- Shubham Agarwal:** Thank you Sir. That's it from my side.
- Moderator:** Thank you. The next question is from the line of Ayush P an individual investor. Please go ahead.
- Ayush P:** Sir just one question, you mentioned that our maintenance capex currently is around Rs.30 Crores per annum and once the hydropower plant commissions what will be the additional maintenance capex per annum?
- Padam Kumar Jain:** That does not materially affect because in hydropower project generally there is not much of the capex. It is just maintenance capex.
- Ayush P:** Great that is it. Thank you.
- Moderator:** Thank you. The next question is from the line of Abhishek Maheshwari from SkyRidge Wealth Management. Please go ahead.
- Abhishek Maheshwari:** Thank you for taking my question. I have only one question regarding your debt repayment plan. How much plan debt do you expect to repay every year?
- Padam Kumar Jain:** Briefly in our initial address we had mentioned that our repayment is Rs.113 Crores in the current year.
- Abhishek Maheshwari:** Going forward we can expect this level?
- Padam Kumar Jain:** It will be slightly more but depends upon our cash flow position and acceptability of the prepayment by the lender, so all those things are there.
- Abhishek Maheshwari:** Lastly do you expect to take any further debt for any future capex plans?
- Padam Kumar Jain:** It is all based on the present whatever capex we have already approved; overall debt position will not go up from the present level.
- Abhishek Maheshwari:** Thank you Sir. That's it from me. Thanks.
- Moderator:** Thank you. The next question is from the line of Mohit Jain from JK Paper Products. Please go ahead.

- Mohit Jain:** Thanks for connecting again. I would just like to resume back to the same question which asking for the Sikkim plant. Sikkim plant when ready approximately how many units and as you told units will mostly get synchronized so how much extra units will be getting from the second quarter?
- Padam Kumar Jain:** Pardon can you repeat?
- Mohit Jain:** How much million units can we get extra from June-21 that is Q2FY22 from Sikkim which is already synchronized and maybe in June-21 it will be totally operated?
- Padam Kumar Jain:** Giving the generation for the month-on-month will be very difficult. This is seasonal and depends upon the rainfall then the spreads of the rainfall there are multiple factors. It is not a stable production to give the monthly or small period for generation is not possible in the hydropower generation. We have to take the annual generation basis and maximum as we already told like peak generation is the second quarter then third quarter is a little less than that and fourth and first quarter is minimal. This is the general trend of the hydropower project but sometime it happens if there is a rainfall then it depends on the spread also, spread of the rainfall if there is a larger spread, the rains spread over a longer time, then there is a much more generation, if the spread is not there although rainfall is there but the spread is there over a period of time then it depends on the nature. Giving the specific numbers and as already told we are considering 50% of PLF the project should achieve within a year for the year on an average it is somewhere around 50%.
- Mohit Jain:** Can we expect the same kind of results what we have given in the last quarter for this quarter also approximately not exactly?
- Padam Kumar Jain:** Should be, because the market conditions are more conducive and are favorable so there is no reason, results for the current quarter should definitely be better than what we have seen.
- Mohit Jain:** Y-o-Y basis?
- Padam Kumar Jain:** Y-o-Y. This is we are talking about the quarter for the year talking about the current quarter?
- Mohit Jain:** Yes, current quarter April, May, June?
- Padam Kumar Jain:** Current quarter definitely Q-o-Q also it should be better.
- Mohit Jain:** That answers my question. Thank you.



Sarda Energy & Minerals Limited
May 25, 2021

Moderator: Thank you. That was the last question. I would now like to hand the conference over to Mr. Pankaj Sarda, Joint Managing Director, Sarda Energy & Minerals Limited for closing comments.

Padam Kumar Jain: Thanks Madam. Thank you to all the investors for participating in the concall. I hope we have addressed the queries to the satisfaction. If anything is left out, anybody can always connect offline you all are most welcome. Thank you.

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.