



“Sarda Energy & Minerals Limited
Q1 FY2022 Earnings Conference Call”

August 03, 2021



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Moderator: Ladies and gentlemen good day and welcome to the Sarda Energy & Minerals Limited Q1FY22 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. A very good morning to everyone. I extend a very warm welcome to all of you to the Q1FY22 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 pellet plant operated at an enhanced capacity during the quarter and achieved production of 2,09,158 metric tonnes. The company has achieved record quarterly production of iron ore pellet and wire rods in spite COVID related disruptions during the quarter.

The Rongnichu Hydro Power project successfully completed the trial operations and has commenced commercial operations. The power is being supplied to Chhattisgarh state distribution utility under long-term PPA through long-term open access. Provisional power tariff is expected to be approved in this quarter.

The process of various approvals and pre-commissioning activities is going on in Gare Palma IV/ 7 coal mine. Consent to operate for our coal washery of 0.96 million tonnes has been received. Environment clearance has also been received for our coal mine. Coal mine is expected to be operational in the next quarter. Work on the Ferro Alloys expansion project at Vizag is progressing as per schedule. Work on the 25 MW Rehar hydropower project will start in second half of the current financial year. We have also received EC for 1 million tonnes of beneficiation plant at our Mandhar Plant.

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 mismatch has resulted into sharp rise in prices. Pollution restrictions and disincentivization of exports implemented by China have further increased demand supply gap in steel boosting prospects for Indian exports.

India's steel production and apparent consumption both were down in this quarter as compared to Q4FY21. Production was down from 29.9 million metric tonnes in Q4FY21 to 26.9 million metric tonnes in this quarter. The main reason for fall in production was diversion of oxygen from steel plants to hospitals.

The apparent consumption was down due to lockdowns imposed across the country to contain the second wave of COVID-19; however, export demand and reduced imports on the back of higher global prices have maintained tightness in supply resulting into improved price realization. During the quarter, India exported 4.76 million tonnes steel and imported 1.2 million tonnes steel.

Prices of Ferro Alloys remained firm during the quarter on the back of production disruptions in Ukraine and Malaysia and increased demand from the steel industry. Prices of Ferro Alloys continues to be at elevated levels.

Mr. PK Jain will now brief about the financial performance and position of the company.

PK Jain:

Thanks Manish Ji. In spite of lockdowns the company has achieved highest ever consolidated revenue of Rs.830 Crores during Q1FY22 against Rs.700 Crores in the previous quarter and Rs.345 Crores in Q1FY21 registering a growth of 19% quarter-on-quarter and 141% year-on-year.

The company has reported operating EBITDA of Rs.268 Crores during the current quarter against Rs.227 Crores in the previous quarter and Rs.90 Crores in Q1FY21. The company's profit after tax at consolidated level stood at Rs.168 Crores as against Rs.139 Crores in the previous quarter resulting into an earnings per share of Rs.47 per share. For the quarter under review all segments did better than the previous quarter.

Debt position: At the standalone level the company is net debt free. As on June 30, 2021 bank balance and liquid investments stood at Rs.308 Crores. Term debt net of the cash and current investments stood at Rs.1,268 Crores and net of loans given is less than Rs.1,000 Crores.

Loan repayable within the next one year is Rs.103 Crores. That way our net borrowings have come below Rs.1,000 Crores. Now I will request Shri Pankaj Sarda to brief about the industry outlook.

Pankaj Sarda: Thank you. The increased export demand has balanced domestic demand supply of steel and Ferro Alloys. This should enable stable capacity utilization and improved pricing. On global supply concerns price of steel is expected to remain firm. However, there may be correction in iron ore pellet prices due to restrictions on steel production in China. Ferro Alloys prices have firmed up substantially from March-21, the effect of which is reflected in the results and near term outlook is also positive though incremental benefit will be partly negated by increased coal and coke prices.

Commissioning of Sikkim hydropower project will improve the financial performance of the company from current quarter onwards. Projection of normal monsoon augurs well for hydropower projects. This is all about the performance and outlook. Now we leave the forum open for questions from the participants. Thank you.

Moderator: Thank you very much Sir. Ladies and Gentlemen, we will now begin with the question and answer session. The first question is from the line of Subham Agarwal from Aequitas India. Please go ahead.

Subham Agarwal: Thank you for the opportunity. I would also like to congratulate the entire team on commissioning of Sikkim Hydropower project. Sir, firstly I wanted to understand how is the current utilization level at the Sikkim hydropower project? Is it achieving all the parameters that we have laid out and what would be the tentative provisional number per unit for this?

Pankaj Sarda: We have achieved the COD for both the units as on July 1, 2021 and parameters and everything is running perfectly okay since commissioning. Though in the commissioning, there are some small hiccups that is always there in any new project, but it is meeting all the correct parameters that is required that we had envisaged.

Subham Agarwal: The provisional number per unit that we can expect to book revenue this quarter?

PK Jain: Our petition for approval of the provisional tariff is under consideration that is coming up for hearing in the current month and pending that hopefully before announcement of the next quarterly results, we will have the provisional tariff approved by the regulator. In case if there is delay, tentatively, as already informed in the past speeches, because minimum what we expect is the generic tariff available for the renewable energy projects that is I

think more than 6.20 or 6.30 per unit. That is the minimum basis for accounting of provisional tariff, but hopefully, we will get the provisional tariff approved before announcement of the next result.

Subham Agarwal: But in the current quarter itself, we will book the complete revenue based on full potential of this 130 MW, right?

PK Jain: Yes, Definitely

Subham Agarwal: Ok, Got it. Secondly on the steel division, so how is the current average realization across the value chain right now compared to Q1FY22? Have we seen increase in prices?

PK Jain: If you see the current prices, they are little above the Q1FY22 average.

Subham Agarwal: On the other hand, the coking coal prices have gone beyond \$200. So, do we expect to maintain the spread or what is the outlook there?

Manish Sarda: We do not use coking coal. So, we have no impact of coking coal on our production.

Subham Agarwal: So, in that case, we would expect our spread to go up this quarter?

Manish Sarda: Hopefully.

Subham Agarwal: Great. Sir lastly on the Ferro Alloys business, so we had one furnace getting revamped this quarter so, is it completed or do we expect some more downtime in that?

PK Jain: One furnace will remain down during the current quarter. Last quarter for about one month we had operated all the five furnaces, and we had deferred this time for one furnace for the time being so, one furnace will remain shut down for one quarter.

Subham Agarwal: For this quarter also?

PK Jain: Yes.

Subham Agarwal: And, Do we expect any other downtime in any other units given that sponge iron unit was not operational for 54 days.

PK Jain: That was routine closure. It happens periodically. It was not something exceptional. The Ferro Alloy modernization was basically over a longer period of time. That was for revamping of the complete furnaces for modernization. The sponge iron kiln was shutdown

after a particular period. Whenever you go for the castable change, this happens. This is usual and that is already taken care into overall annual production target.

Subham Agarwal: Ok, got it. Thank you, Sir. That is it from my side.

Moderator: Thank you. The next question is from the line of Abhishek Maheshwari from SkyRidge Wealth Management. Please go ahead.

Abhishek Maheshwari: Congratulations and thank for the opportunity. Sir, one follow-up on the question asked by the previous participant. Sir, you do not use coking coal, you said, but you must be using coke for your production?

Manish Sarda: Yes.

Abhishek Maheshwari: Coke prices have also increased considerably. So, are you able to pass on these costs or you have to take a little bit of a hit on margins?

Manish Sarda: We use coke in our Ferro Alloys Division and basically the coke consumption will have an impact of the prices that have gone up a bit, but considerably the prices of alloys have also moving up.

Abhishek Maheshwari: Ok. Silicon manganese prices are over Rs.90,000, Rs95,000 a ton still or is it same?

Manish Sarda: It is between Rs.96,000 – Rs.97,000 a ton currently.

Abhishek Maheshwari: Sir, so another thing about hydropower so our facility is commissioned now and tariff is yet to be decided so whatever revenue we get that will be based on the project decided or is there provisional amount we are working with right now? Tariff on hydropower plant is not decided yet, right. By the end of quarter, the revenue that we will book on hydro project that will be based on the tariff that will be decided in the coming few weeks or month or is there a provisional tariff that has been decided between you and the authorities that you are working with?

PK Jain: As told, hopefully we will get the provisional tariff approved before end of the quarter. Hopefully. In case it is not approved before end of the quarter the chance of which is very less, we will take a provisional figure based on our estimates of what tariff we are going to get based on our dialogue with the regulator in this course of hearing. we will take provisional revenue based on the provisional tariff.

Abhishek Maheshwari: Understood. Thank you.

- Moderator:** Thank you. The next question is from the line of Madhu Kar a shareholder. Please go ahead.
- Madhu Kar:** You said that cokes are not used but coal use literally in the sponge iron. Now what is our consumption of coal per tonne of sponge iron?
- PK Jain:** It depends upon the grade of coal. It depends from may be 0.9 tonnes to 1.2 tonnes depending upon the grade of the coal we use the mix of coal also, if you are using high grade coal consumption remain somewhere about 0.85 tonnes to 0.9 tonnes and if we are using a mix it may go up to 1.1 tonnes and 1.2tonnes of coal depending upon the grade of the coal.
- Madhu Kar:** Fe content of sponge iron is about 95%?
- PK Jain:** 81% plus minus.
- Madhu Kar:** That is 99%.
- PK Jain:** No,81% plus minus.
- Madhu Kar:** Now our assets in steel are Rs.892 Crores and in power are Rs.2,350 Crores. profit in steel is unusually high compared to power, very unusually. We still continue to go for power or we have any change of mind, we will increase investment in steel?
- PK Jain:** **No**, Power, major asset has recently been started although it is added into the asset base but profit from that segment is yet to come so that is why you are seeing at asset level at the enhanced level without any contribution in the profitability and second is the hydropower is seasonal business so quarter-on-quarter you cannot see the profitability that way and definitely steel is an old business with us. We have captive iron ore mines, there are certain distinct advantages in the steel sector. The dynamics are totally different. It is a commodity , which is subject to cycle, hydropower is different business so both are not straightaway comparable but so far if you are comparing directly on the asset base, hydropower, there is no revenue from the major hydropower project in this profitability, therefore they cannot be compared.
- Madhu Kar:** Now this, two coal mines we have won, what is the quality of coal that is how many kilo calorie per kg and what is the production capacity? We will be able to produce how much per year?

- Pankaj Sarda:** Production capacity of the Gare Palma IV/7 coal block is around 1.2 million tonnes and Shahpur West it is 0.5 to 0.6 million tonnes per year because it is an underground coalmine.
- Madhu Kar:** Quality is about 6,000?
- Pankaj Sarda:** Grade is around G12 to G11 grade and Gare Palma IV/7 and it is around G7 in Shahpur West.
- Madhu Kar:** I am not aware of G7 but how much kilocalories does it compare maybe 5,000?
- Pankaj Sarda:** There is a chart. Coal India Limited comes out with the chart where there is grade, I do not have figures off hand. We will send you.
- Nilay Joshi:** This is publicly available information. You can get it from the public website from Coal India and all, I mean this is accessible to everyone you can Google it actually.
- Madhu Kar:** I will do that. You have said that pellet making you got the permission to increase from 6 lakhs tonnes to 8 lakh tonnes?
- Pankaj Sarda:** Correct.
- Madhu Kar:** Do we have to seek permission for increasing the production?
- Pankaj Sarda:** It is an environmentally governed norm and if we do not have permission of environment how can we increase the capacity? Yes, for increasing any capacity for your existing plants we need to seek the permission from CECB.
- Madhu Kar:** Very good Sir. Thank you very much.
- Moderator:** Thank you. The next question is from the line of Rajesh Bandari, an Individual Investor. Please go ahead.
- Rajesh Bandari:** Let me first congratulate the whole team for your outstanding result. Sir, you mentioned you have furnaces for the Ferro Alloys, five furnaces, out of this one furnace always remain shut down for maintenance or whenever required it comes under maintenance?
- PK Jain:** No, these are basically long-time furnaces. So, we have taken modernization of all the furnaces one-by-one. So last year also few of the furnaces were shut down for modernization and revamping and four furnaces were revamped last year, one furnace will be revamped during the current financial year.

- Rajesh Bandari:** Okay normally how much time does it take Sir, one quarter, two quarter?
- PK Jain:** It will be three to four months.
- Rajesh Bandari:** So overall our production of the Ferro Alloys, out of all the five furnaces, will be for the year it is going to be very comfortable?
- PK Jain:** Yes.
- Rajesh Bandari:** Because the prices of Ferro Alloys are very high, so one has to take advantage of that and normally – whatever we have seen in your results that whatever Ferro Alloys you are producing under your company and also in the subsidiary, you are selling almost everything or maybe little higher also. So that is going to remain for the next 3-4 quarters
- PK Jain:** Yes.
- Rajesh Bandari:** Because certain steel consumption has gone down but Ferro Alloys consumption has not gone down, is it?
- PK Jain:** Pardon.
- Rajesh Bandari:** Steel consumption as you mentioned in your opening speech that because of the certain national and international conditions, global conditions the steel consumption has gone down but there were, a good export demand for the steel, so you could make up.
- PK Jain:** Yes, this was on the domestic front, the domestic consumption had gone down.
- Rajesh Bandari:** Yes, but what I am saying you are exporting your Ferro Alloys production. So, Ferro Alloys most of it whatever you produce that is consumed or rather gets sold.
- PK Jain:** Yes, it gets sold. We are exporting a substantial quantity, this time also the major portion of our Vishakhapatnam plant has been exported.
- Rajesh Bandari:** **Ok, and In** India as well as export the price is normally the same, for Ferro Alloys.
- PK Jain:** Generally, it remains in line with. Temporarily there maybe differences, there may be time gaps otherwise it automatically gets settled. If there higher prices in the domestic market export goes down, if there is a better realization in the export, compared to domestic people shift to the export market and domestic prices automatically move up so these get balanced over a period of time.

- Rajesh Bandari:** Sir, your sponge iron production and billet production, in the sales figure we find a lot of difference probably because the sponge iron and billet are both used for internal consumption, so for what do we consume and make? Where do you use it finally?
- PK Jain:** So finally, we are using it for making Wire Rods and HB Wires.
- Rajesh Bandari:** Okay Sir, is sponge iron selling price is much higher than the wire selling price is that the case?
- PK Jain:** No, that is only incremental price. I got your point, the sponge iron you are considering Rs.14,091 per ton. This is incremental price over the pellet. If you consider the sponge iron price it will be Rs.27,000 per ton plus. Pellet price plus Rs.14,091 per ton.
- Rajesh Bandari:** I got thoroughly confused because I thought that how does the pellet price is less than the sponge iron.
- Nilay Joshi:** No, in that graph you have to keep adding to reach to the next product.
- Rajesh Bandari:** Got it Sir, and in the consolidated revenues approximately Rs.400 Crores, the steel products and then you have Ferro Alloys, so what products we have in steel, there is sponge iron, billets small portion is wire rod then what else is under steel?
- PK Jain:** HB wires.
- Rajesh Bandari:** So, steel production, the Rs.400 Crores plus turnover that is for basically HB wires and this wire rod.
- PK Jain:** We sell even pellets also. At every stage we are selling a part of the production and part of the production is going in the next downstream.
- Rajesh Bandari:** For ferro Alloys our steel production is not of any use?
- PK Jain:** No. It is not of use in ferro alloys.
- Rajesh Bandari:** Whatever input of raw material in Ferro Alloys is chrome, manganese is there, do we have all the mines with us?
- PK Jain:** No. We do not have.
- Rajesh Bandari:** So, you need to buy it from outside?

- PK Jain:** Yes, we need to buy it from outside.
- Rajesh Bandari:** Then the input cost, has also increased, Sir?
- PK Jain:** Comparatively the manganese ore price has not gone up so much, like the finished product price has gone up, so margins have expanded.
- Rajesh Bandari:** So, margins will be better?
- PK Jain:** Yes.
- Rajesh Bandari:** The iron ore mines are with you.
- PK Jain:** Yes.
- Rajesh Bandari:** Sir, I need to ask you one thing that you have mentioned to raise about Rs.1,000 Crores through equity or related instruments and Rs.500 Crores through debt. Will you be using all these funds for your expansion or for working capital? How do you intend to use this one, Sir?
- PK Jain:** No, this is the enabling resolution. In the previous year also, we had taken this resolution. And, for working capital, we do not need at all. For the working capital we have sufficient liquidity. This is an enabling resolution and we have not yet used it for now. We have taken it last year and that raising is an enabling thing.
- Rajesh Bandari:** **Ok, OK.** So, you have not yet decided how you will be using it?
- PK Jain:** If we get some acquisition opportunity or if we freeze on the expansion. Finally we get all the clearances, if required but as of now it is an enabling resolution.
- Rajesh Bandari:** **Ok,** only enabling. So if you are doing equity issue, whether it is preferential allotment or whether it is rights or whether it is -----?
- PK Jain:** **No, nothing is decided as of now,** whether we will use it or not, nothing is fixed. It is just an enabling process. Let's be clear about it.
- Rajesh Bandari:** So, what is our Ferro Alloys yearly production?
- PK Jain:** Pardon.

- Rajesh Bandari:** Our per annum ferro alloy production Sir.
- PK Jain:** Per quarter.
- Rajesh Bandari:** No, per annum.
- PK Jain:** Per annum maybe about 1,30,000 tonnes- 1,40,000 tonnes.
- Rajesh Bandari:** Sir, in this 50,000 tonnes expansion plan of the furnace is in addition to the 1,40,000 tonnes?
- PK Jain:** Yes.
- Rajesh Bandari:** That will be started next year 2022-2023?
- PK Jain:** Yes.
- Rajesh Bandari:** Thank you Sir. Thank you very much.
- Moderator:** Thank you. The next question is from the line of Dipen Sheth from Crystal Investment Advisors. Please go ahead.
- Dipen Sheth:** Sir I have two questions. So, as we exit FY2022 in another 8-9 months how much will be our nameplate capacities be in each division, I have some confusion I am sorry if this takes up unnecessary time but if you could just clarify?
- PK Jain:** Installed capacity you are asking about?
- Dipen Sheth:** Yes, so by the time we hit March 2022 what will be our capacities in the various divisions so could you just give a quick recount?
- PK Jain:** Yes, our capacity for pellet plant is 8,00,000 tonnes, then the sponge iron we have 3,60,000 tonnes, steel billets we have 3,00,000 tonnes, then wire rods is 1,80,000 tonnes, HB wire is 30,000 tonnes.
- Dipen Sheth:** On the hydropower side or on the renewable energy side we to be in that sigma there is no addition to that?
- PK Jain:** In hydro power we have one 5 megawatt project and one 25 megawatt project and another project of 113 megawatt.

- Dipen Sheth:** Sikkim, correct. So, incrementally what will be the capex spend and where will it be?
- PK Jain:** Incrementally capex is towards the coal mines. The coal mines which we had acquired.
- Dipen Sheth:** What will be the allocations in this year and what will be the outcome of that?
- PK Jain:** As I told, that in this current year one coal mine will be started, second, coal mine will take some time. Apart from this Vishakhapatnam Ferro Alloys plant is under expansion. Third, now there is one more hydropower project of 25 megawatt at Rehar we will start work during the current year. Apart from this, whenever we have opportunity for execution, there is iron ore mines that is one and we can evaluate afterwards, then we will take, but what we have done as of now, as I told is coal mines, Ferro Alloys plant and hydropower project, which we have already taken-up this year.
- Dipen Sheth:** On the iron ore mines we are fully integrated. We do not buy any iron ore from anyone, right?
- PK Jain:** **No**, we are meeting our about 40% to 50% of our requirement from our captive iron ore mine, rest we are buying from the market.
- Dipen Sheth:** Alright, ok. Can this change and can we buy? Can we get more of our own iron ore? Is there a lever here for future or no? Better integration or to say...?
- PK Jain:** Not materially.
- Dipen Sheth:** Not materially, Thank you Sir.
- Moderator:** Thank you. The next question is from the line of Niraj Mansingka from White Pine Investment Management. Please go ahead.
- Niraj Mansingka:** Thank you, this is related to few questions that have asked in the past on the cash flow that you have, the run rates of cash flows are quite high compared to the past like EBITDA of Rs.270 Crores and what that I understand is that of the debt major portion of the debt is of the hydropower plant which we intent to repay using there its own cash flows. So, what do you plan do with the cash that you generate over a period of next 1-2 years?
- PK Jain:** As I told, we have already taken up capex on the coal mines. There are two coal mines where we will be incurring capex. In addition to this, we have already started work on the expansion project of Ferro Alloys. Maybe, we are also looking for iron ore mines opportunities. Then, if we find appropriate some acquisition or maybe some Greenfield

expansion depending up on the situation what type of the schemes government so far how do we get. But already few of the expansion projects have already lined up.

Niraj Mansingka: What would be the capex for the coal mines?

PK Jain: Coal mines, both put together somewhere about Rs.400 Crores to Rs.500 Crores.

Niraj Mansingka: Over a period but the second one which is in underground would be starting on is much later period right. So, but the immediate the question I am trying to ask is the EBITDA run rate that you are running today of Rs.270 Crores and with the current pricing also not it is quite stable so you would be anywhere almost Rs.1,000 Crores EBITDA on your company and you hardly have any debt on the non-hydropower side and the amount of capex that you require would it be so much compared to the amount of cash flows that is generated that is why I asked about?

PK Jain: Out of EBITDA, first I have to service my interest for all the projects including hydropower project recently started, then I have to meet repayment obligations, followed by normal capex for all the projects and then expansion projects and if after this, still surplus remains, we are considering iron ore mines opportunities then definitely some Greenfield expansion. Maybe we will increase further capacities in the Ferro Alloys also we will evaluate. That possibility is always there.

Niraj Mansingka: Sir how much would be the capex for the Ferro Alloys project would be for that?

PK Jain: This is Rs.135 Crores, for the present project what we have taken. And for hydropower project it is Rs.250 Crores approximately.

Niraj Mansingka: If you have to see entire project which all areas can you do some Brownfield expansions or a low cost high return pending in existing facilities.

PK Jain: In existing facilities as we told know we can consider further expansion even in the Ferro Alloys sector maybe some debottlenecking in the steel sector.

Niraj Mansingka: Can you share something on the hydropower plant, one point the 113 megawatt most of the earnings come in the Q2 and Q3 because of the monsoon season so how much do you expect to utilize or produce during the next two quarters on an average considering things are normal and something unusual does not happen?

- PK Jain:** What is projected normal capacity utilization will be there what is there. Maximum production in the hydropower project comes in these two quarters. Whatever could not be generated in the first quarter the small quantities is left out otherwise what it is projected for the annual year.
- Niraj Mansingka:** Last one or two quarters back you had shared it has a potential of Rs.200 Crores of EBITDA, so you stand with that, or does it seem to go higher than earlier strategy?
- PK Jain:** No, we still stand by this annual EBITDA of about 200 Crores.
- Niraj Mansingka:** Sir a last question on the coal block that you are also starting of 1.2 million tonnes. How much could be the net contribution to you coming by using those coal internally or doing the sales externally? How much EBITDA can that generate?
- PK Jain:** It should generate EBITDA of somewhere about Rs.1,000/ tonne.
- Niraj Mansingka:** so almost Rs.120 Crores per year, is it right.
- PK Jain:** Yes, it should be.
- Niraj Mansingka:** Great, thank you Sir.
- Moderator:** Thank you. The next question is from the line of Adyasha Bhanjar from Axis Bank. Please go ahead.
- Adyasha Bhanjar:** Sir what was your capex that you incurred for enhancing the capacity of pellet plant from 6 lakh tonnes to 8 lakh tonnes.
- PK Jain:** No capex. We were having full capacity earlier. The only thing we were not having was permission to produce beyond 6 lakh tonnes.
- Adyasha Bhanjar:** Sir it is just an approval that has come now and you will be operating at that higher capacity?
- PK Jain:** Yes.
- Adyasha Bhanjar:** Sir, can you just give a guidance on the FY2022 capex that you planned like in the mines or in the Ferro Alloys side? If you could give a breakup of what are you trying to do during FY2022?

- PK Jain:** Maybe about Rs.100 Crores in the coal mine projects and about Rs.75 Crores in the Ferro Alloys project?
- Adyasha Bhanjar:** So Rs.135 Crores of total expenses on ferro alloy expansion you are saying Rs.75 Crores you will be doing this year?
- Pankaj Sarda:** Maybe yes, the project is under progress.
- Adyasha Bhanjar:** That is all, Sir.
- Moderator:** Thank you. The next question is from the line of Prasad Hajariwala, an individual investor. Please go ahead.
- Prasad Hajariwala:** Congratulations for a good set of numbers. I have a question is at SHP. I would like to know what kind of risk associated with SSG to not perform up to the mark?
- PK Jain:** Your voice is not very clear.
- Prasad Hajariwala:** I would like to know what kind of risks associated with the SHP to not perform up to the mark, new hydropower plant of 113 megawatt?
- PK Jain:** **We do not** see any material risk associated with the hydropower plant except rainfall. That is one because that is a matter of nature, otherwise we do not foresee any risk associated with the utilization of the asset.
- Prasad Hajariwala:** The next question is how sustainable is this Ferro Alloys price honestly it has you said that it has rose to Rs.96,000 to Rs.97,000 per ton so how much sustainable it is?
- Manish Sarda:** The ferro alloys prices primarily right now look to be sustainable for the next three to four months because there are still some plants which have not fully operational internationally because of COVID and the demand also is very high and China has curbed on the production on Ferro Alloys and there is an export duty also on Ferro Alloys, specifically on Ferrochrome and most likely people are fearing that there will be export duties on all alloys from China. So, for the moment it looks like the Ferro Alloys prices are going to remain strong.
- Prasad Hajariwala:** For next quarter it will sustain so up to the September-21, October-21, November-21 we can expect the same kind of price right.
- Manish Sarda:** Like that.

- Prasad Hajariwala:** Thank you very much.
- Moderator:** Thank you. The next question is from the line of Chakravaradhan Reddy, an individual investor. Please go ahead.
- Chakravaradhan Reddy:** Thank you, my questions got answered.
- Moderator:** Thank you. The next question is from the line of Yash Choudary, an individual investor. Please go ahead.
- Yash Choudary:** Sir, I wanted to know like we are having an EBITDA of Rs.250 Crores on an annualized basis Rs.1,000 Crores of EBITDA. Our net debt stands at somewhere around Rs.1,300 Crores, out of which almost Rs.950 Crores is for hydro project which we will be repaying it from the hydro project proceeds only, so there is a fund raise of Rs.1,500 Crores. So can you just throw light on your fund raise?
- PK Jain:** As I said as of now it is only an enabling resolution. There is no concrete plan of raising of funds. In case we get any acquisition opportunity maybe iron ore mines, maybe some project under NCLT or maybe some other projects or maybe finally we find good state policies on the incentives for a new greenfield project. Otherwise, as of now, there is no concrete plan for raising of the funds.
- Yash Choudary:** So, this is just a provisional approval, which we have taken in our board meeting and if required then only we will be raising the funds right?
- PK Jain:** Yes, even last year also we had taken, last two three years also we have taken enabling resolutions so that tomorrow if we get any acquisition opportunity.
- Yash Choudary:** Got it. Thank you. Thank you very much.
- Moderator:** Thank you. The next question is from the line of Subham Agarwal from Aequis India. Please go ahead.
- Subham Agarwal:** Thank you for the opportunity again. I just had one clarificatory question. So, basis the Rs.1000 saving per tonne in coal and the expected commissioning in Q3FY22 can we expect further addition to EBITDA by Rs.30 Crores in Q4FY22?
- PK Jain:** Should be.
- Subham Agarwal:** That is it from my side. Thank you.

- Moderator:** Thank you. The next question is from the line of Shikhar Mundra, an individual investor. Please go ahead.
- Shikhar Mundra:** Sir I wanted to know what is the tariff expected for the Sikkim hydro power project?
- PK Jain:** It should be somewhere about Rs.6.50 to Rs.7 somewhere in between. Very difficult to predict at this moment but what we expect minimum as of now is Rs.6.21 or something given for the renewable energy project so we should definitely get over and above this price.
- Shikhar Mundra:** What is the cost of debt for the Rs.952 Crores for the Sikkim hydro power project?
- PK Jain:** Presently it is somewhere about 11% but it will be refinanced and it will get reduced. Once these operational figures come in, the debt cost will drastically reduce.
- Shikhar Mundra:** What is the debt repayment schedule like how many years we expect to repay the debt?
- PK Jain:** 15 years.
- Shikhar Mundra:** When is the figure expected to come in the tariff figure and from when can we expect the additions to flow in from this project?
- PK Jain:** Pardon.
- Shikhar Mundra:** When is the tariff figure expected to be finalized?
- PK Jain:** As we already said the provisional tariff should be cleared during the current quarter hopefully, it is under hearing with the regulator.
- Shikhar Mundra:** The revenues will start flowing in from the current quarter itself?
- PK Jain:** Yes.
- Shikhar Mundra:** Thank you.
- Moderator:** Thank you. The next question is from the line of Mohit Jain, a private investor. Please go ahead.

- Mohit Jain:** Congrats for the great results. I just wanted to know what is the amount you are expecting on topline and bottom line for this hydropower project already which is commissioned taking in approximately Rs.6.5 per unit?
- PK Jain:** Topline should be somewhere about Rs.225Crores – Rs.240 Crores per annum.
- Mohit Jain:** And profits.
- PK Jain:** As I told EBITDA should be somewhere about Rs.175 Crores – Rs.200 Crores per annum.
- Mohit Jain:** So, we can expect better quarter next time also comparison approximately.
- PK Jain:** Pardon.
- Mohit Jain:** Can we expect a better quarter next time coming quarter?
- PK Jain:** Yes, this will come in the current quarter also. It is already operational, so we will get the benefits of the operations in this quarter.
- Mohit Jain:** What was the per ton Ferro Alloys price this quarter?
- PK Jain:** This quarter average was somewhere about Rs.84,000.
- Mohit Jain:** Currently it is going around Rs96,000 – Rs.97,000 per ton?
- PK Jain:** Yes, Rs.96,000 - Rs.97,000 per ton.
- Mohit Jain:** That will also come in this quarter itself?
- PK Jain:** Yes.
- Mohit Jain:** That answers my question. Thank you.
- Moderator:** Thank you. The next question from the line of Shanti Patel from Investment Advisor. Please go ahead.
- Shanti Patel:** Good morning Sir. My first question is taking into consideration on the prevalent condition in the industry what will be the approximate earning per share as on 31st March, 2022?

- PK Jain:** Very difficult to comment on the forward EPS because we are in the commodity business and markets are volatile so, we do not give any outlook on the specific earning per share side.
- Shanti Patel:** No, but now suppose this expansion which we are talking about is complete, whichever is complete in the current year that is 2021/2022.
- Shanti Patel:** See my question is very simple. We have got expansion plan completed in the current year that is in 2021-2022 the impact of that will be on the revenue also now if you see that the present condition is not materially changing in the previous year what will be the impact from PAT profit after tax approximately, I am not asking you to give some concrete numbers.
- PK Jain:** As already mentioned that no further expansion during the current year whatever was to start it has already started, hydropower project, there is no other expansion which will be happening in the current financial year.
- Shanti Patel:** So, you mean to say that the permission has been granted from increasing 6 lakhs to 8 lakhs correct, when will the production start for 8 lakh capacity start?
- PK Jain:** Yes, the effect of that has already reflected in the first quarter results also.
- Shanti Patel:** It is already reflected, so that means the revenue will be more or less stagnant if the present condition is prevalent for the next three quarters?
- PK Jain:** Yes. There will be revenue addition on the hydropower project side, and there will be benefit of cost saving in the coal mines otherwise all the projects are already on.
- Shanti Patel:** Thank you very much.
- Moderator:** Thank you. The next question is from the line of Mohit Jain, a private investor. Please go ahead.
- Mohit Jain:** Sir I just wanted to ask one thing again the capacity expansion of Pellets - was it totally reflected in the previous quarter or again in the Q1FY22 was for one or two months only?
- PK Jain:** Pardon did not get your question?
- Mohit Jain:** The capacity expansion which you said from 6 lakh tonnes to 8 lakh tonnes is it totally reflected in the all the three months or only one or two months is included?

- PK Jain:** No, pellet plant from 6 lakhs to 8 lakh tonnes it is reflected in the whole quarter.
- Mohit Jain:** So, this will continue again.
- PK Jain:** We have produced more than 2 lakh tonnes that is one-fourth of the whole year capacity.
- Mohit Jain:** 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 just had one question on the utilization of the Sikkim hydropower plant so if you see in the past whatever hydropower plant had, you had a 45%, 50% utilization what utilization do you foresee for the next two years average? I know they are different in nature but just on an average what expectation would it be on utilization?
- PK Jain:** It is about 50%.
- Niraj Mansingka:** Sir even your numbers on guidance you are talking about Rs.225 Crores and if I divide that by utilization which is still coming at 40% utilization approximately, so do you expect this to be revived down if the rates are fixed at Rs.6?
- PK Jain:** No. This also depends upon the transmission losses and all those things have to be factored into transmission cost that will be there that will reduce things.
- Niraj Mansingka:** What would be the approximate transmission charges that you expect on this?
- PK Jain:** Transmission charges somewhere should be in the range of Rs.1 plus, minus.
- Niraj Mansingka:** Thank you.
- Moderator:** Thank you. The next question is from the line of Madhu Kar, a shareholder. Please go ahead.
- Madhu Kar:** Sir this is a follow-up question. Our Iron ore production is less than our requirement at what price are we procuring the iron ore?
- PK Jain:** It varies because it is a mixed lot. We are procuring from Odisha also, we are procuring from NMDC also so it is just below Rs.10,000 per tonne, it might be somewhere about

Rs.9,000 per ton the figures are not readily available but we are procuring from a mixed basket.

- Madhu Kar:** NMDCs highest price is Rs.7,500 the base price?
- PK Jain:** No. It would not be only a base price. On the base price there are multiple additions royalty then there are other specific taxes and freight.
- Madhu Kar:** So that goes to Rs.10,000?
- PK Jain:** Yes, somewhere about between Rs.9,000 and Rs.10,000 per ton.
- Madhu Kar:** You have given sales figure say you are selling ore pellet 1,58,000 tonnes and sponge iron 19,000 tonnes in your presentation what is the price that you are selling pellet?
- PK Jain:** Pellet our average realization for the quarter was Rs.13,153 per ton.
- Madhu Kar:** For the sponge iron?
- Nilay Joshi:** There is a graph we have given in the presentation which will give you this information.
- Madhu Kar:** Of the price also?
- PK Jain:** Slide #11 you will get the information.
- Madhu Kar:** It is on the production; it is not the price Sir?
- PK Jain:** Price we have given at slide #11. In slide #11 you will find it.
- Madhu Kar:** Okay.
- Moderator:** Thank you. The next question is from the line of Aayush, an individual investor. Please go ahead.
- Aayush:** Sir sorry, I joined late so I am not sure if this question has been answered. I just wanted to understand our upcoming Ferro Alloys expansion, how is the power requirement for the same will it be met captively or will we buy power from outside?
- PK Jain:** Pardon in-between we have got disconnected. We could not hear your question. Can you repeat your question?

- Manish Sarda:** I will answer that question. So, our expansion what is happening on the Ferro Alloys side is at Vishakhapatnam and we will be using the power captively only as we have our own capital generation of 80 megawatt in Vishakhapatnam.
- Aayush:** So, 100% will be met through captive, we do not have to buy anything?
- Manish Sarda:** Yes, we do not have to buy any power from the grid.
- Aayush:** Secondly as we all know the whole de-carbonization scheme that is playing out in China which is expected to increase demand for higher grade pellets and iron ore so just wanted to understand the pellets that we make are those on the higher- grade side or on the lower grade side?
- Pankaj Sarda:** See the pellet that we make is the higher -grade side but because it is our mines have little higher Phos so the phos is higher, which is an impurity and we have seen that the domestic prices are very good at the moment so we mostly intend to sell right now in the domestic market.
- Aayush:** The iron ore the captive iron ore that we mine so what grade is that?
- Pankaj Sarda:** That varies from 53 to 60 grade.
- Aayush:** Okay 53 to 60.
- Pankaj Sarda:** Yes. We have a beneficiation plant at the mines itself where we are increasing the grade there and then we are transporting it.
- Aayush:** So currently basically our iron ore pellet, are not on the higher grade, right?
- Pankaj Sarda:** Our pellet is 62.5 grade which is normally acceptable very, very decently in the market. It is just that our phos is a little higher because of our captive iron ore which has got a higher phos.
- Aayush:** Thank you.
- Moderator:** Thank you. The next question is from the line of Rajesh Bandari, an individual investor. Please go ahead.

- Rajesh Bandari:** Sir this is my follow-up question on Ferro Alloys. For Ferro alloys the main consumption is power which for Vizag as well as for your other places and for the expansion you have a 100% captive power?
- PK Jain:** Yes.
- Rajesh Bandari:** Now coming to the raw material mainly basically raw material is chrome ore and manganese ore?
- Manish Sarda:** No. There is no chrome ore required by us in our plants we normally use only manganese ore as we are manganese alloy producers.
- Rajesh Bandari:** Okay you are not producing chrome alloy?
- Manish Sarda:** No, we do not produce the Ferrochrome or chrome at the moment.
- Rajesh Bandari:** This Ferro Alloys for manganese ore what is the approximate normal cost per tonne like for iron ore you said Rs.9,000?
- Manish Sarda:** See we are importing manganese ore in the range of somewhere around Rs.10,000 to Rs.14,000 depending upon the different grades that we have.
- Rajesh Bandari:** Then the power these are the two basic things otherwise everything else with the value addition?
- Pankaj Sarda:** Yes.
- Rajesh Bandari:** Thank you.
- Moderator:** Thank you. Ladies and gentlemen, we take the last question from the line of Adyasha Bhanjar from Axis Capital. Please go ahead.
- Adyasha Bhanjar:** Sir I just have a follow-up question on the pellet plant. Sir what could be the cost if we were to setup a new pellet plant of say 8 lakh tonnes per annum capacity now, is there a thumb rule kind of thing on that?
- Pankaj Sarda:** It depends if you are putting beneficiation along with it or not. Roughly without beneficiation it will come out to be around Rs.175 Crores to Rs.200 Crores.
- Adyasha Bhanjar:** For 8 lakh ton or for 6 lakh ton.

- Pankaj Sarda:** For a 6 lakh tonnes plant.
- Adyasha Bhanjar:** Sir most of the companies they have a 6 lakh tonnes per annum plant so is that a standard kind of capacity that is there in the industry and that is the reason for that?
- Pankaj Sarda:** Yes, this is our standard, if you are going with a pellet plant from China it will be standard from where the pellet plant capacity starts.
- Adyasha Bhanjar:** So, you said Rs.75 Crores to Rs.100 Crores right?
- Pankaj Sarda:** No, I said, Rs.175 Crores to Rs.200 Crores.
- Adyasha Bhanjar:** How would that vary if we have to setup a beneficiations plant?
- Pankaj Sarda:** Another 50 Crores will be required for my understanding, another Rs.50 Crores to Rs.55 Crores is required.
- Adyasha Bhanjar:** That will also have the same capacity, right?
- PK Jain:** There are multiple variables. It is very difficult to give specific on the project cost side. There are multiple variables which determine the project cost.
- Adyasha Bhanjar:** Sir just one last question so your billets capacity was 2 lakh metric tonnes, right and for that you have incurred any substantial capex?
- PK Jain:** This has already been incurred I think a year before.
- Adyasha Bhanjar:** Okay so, would you know the cost Sir for that?
- PK Jain:** It might be somewhere about Rs.35 Crores Rs.40 Crores.
- Adyasha Bhanjar:** That is all. Thank you. Thanks a lot.
- Moderator:** Thank you. Ladies and gentlemen, that was the last question. I now hand the conference over to Mr. Pankaj Sarda - Joint Managing Director for closing comments.
- PK Jain:** Thanks to all the investors for participation in the concall. We hope we have clarified all the questions to their satisfaction. If any information remained unanswered they can always contact us at the connect given in the presentation and you are most welcome anytime. Thank you.



Sarda Energy & Minerals Limited
August 03, 2021

Moderator: Thank you very much. Ladies and gentlemen, on behalf of Sarda Energy & Minerals Limited that concludes this conference. We thank you all for joining us. You may now disconnect your lines.