



“Sarda Energy & Minerals Limited  
Q2 FY2022 Earnings Conference Call”

November 02, 2021



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**Moderator:** Ladies and gentlemen good day and welcome to the Sarda Energy & Minerals Limited Q2FY22 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. Very good afternoon everyone. I extend a very warm welcome to all of you to the Q2FY22 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 quarter gone by has been good for metal industry in general. Average sales realization of different steel products was broadly in line with first quarter in case of Ferro alloys average realization improved from Rs.84,000 per metric ton to 96,000 per metric ton and so the profitability which is reflected in the segment performance.

We have exported 24,000 metric tons of Ferro Alloys during the quarter against 10,000 metric tons in Q2FY21. We have always focused on ESG and invested in green energy and waste recycling today our green energy generation capacity exceeds our thermal power generation and we will continue to invest in the green energy in the future.

The Rongnichu Hydro Power Project which commenced commercial operations from end of last quarter operated satisfactorily and generated more than 205 million units in this quarter. Provisional two parts tariff has been approved by the regulator for the project.

Based on the provisional tariff we have earned revenue of Rs.128 Crores in the quarter. The mining lease of the Gare Palma IV/7 coal mine has been granted on October 18, 2021. The company is in the process of getting mine opening and other approvals and necessary documentation. We are making efforts and are hopeful to start coal mining in this month.

We are also participating in auction of iron ore mines announced by state government. The Ferro Alloy’s expansion project at Vizag is expected to be operational ahead of scheduled commissioning of March 2023.



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The 25 Megawatt Rehar hydropower project has achieved financial closure. The firm has started awarding contracts related to the project. We expect to complete the project before end of FY24-FY25.

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

**Padam Kumar Jain:** Thank you Pankaj Ji. The company has achieved highest ever quarterly consolidated Revenue of Rs.1,025 Crores during Q2FY22 against Rs.832 Crores in Q1FY22 and Rs.548 Crores in Q2FY21 registering a growth of 23% quarter-on-quarter and 87% year-on-year.

Commercial operation of Rongnichu Hydro Power Project has also contributed in improved financial performance of the quarter. The company has reported EBITDA of Rs.440 Crores during the quarter against Rs.268 Crores in the previous quarter against Rs.157 Crores in Q2 of the previous year.

The company's profit after tax at consolidated level stood at Rs.263 Crores as against Rs.168 Crores in previous quarter and Rs.85 Crores in Q2FY21 resulting into earnings per share of Rs.71. 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 September 30, 2021, bank balance and liquid investments stood at Rs.360 Crores, term debt net of cash and current investments stood below Rs.1,200 Crores and net of loans given it stood at Rs.930 Crores. Loans repayable within next one year is Rs.120 Crores. The company has persuaded its lenders to accept prepayment and has prepaid most of the loans falling due up to March 31, 2022 without any prepayment penalty,

Ongoing Capex plans have been financed from internal accruals. There is change in the outlook of companies existing credit rating to 'A+/ Positive' from 'A+/ Stable' and upgrade in credit rating of Sarda Metals by one notch to BBB+ and change in the outlook from 'Stable' to 'Positive.'

Now I request Shri Manish Sarda to brief about global and domestic industry scenario and also industry outlook.

**Manish Sarda:** Thank you Mr. PK Jain. The infrastructure push at global level to boost GDP has generated demand for steel and other commodities. Production cuts to contain emission and disincentivization of exports implemented by China has further increased global demand supply gap in steel boosting prospects for Indian exports.

India exported 5.99 million metric tons of steel in this quarter against 4.76 million metric ton in quarter one and 5.44 million tons in Q2FY2021. The apparent consumption was down from 24.96 million metric tons to 24.16 million metric tons quarter on quarter due to seasonal effect but rose year on year from 23.63 million tons.

The prices of iron ore pellet corrected on the back of reduced demand from China, the prices of finished steel remain firm on account of increased input cost mainly coal and coke, strong export demand enabled the producers to pass through the increased cost.

On back of increased energy cost and demand from steel industry prices of Ferro Alloys have touched record high and are expected to remain at elevated levels in the near-term. The export of Ferro Alloys has been increasing month-on-month from April 2021. Improved performance of Ferro Alloys has contributed an improved financial performance of the company.

The supply of coal against long-term linkages has also abnormally delayed putting pressure on availability for the steel industry. This situation is expected to continue in near future. We have taken necessary steps in advance to ensure uninterrupted availability of coal and coke for our requirement.

Profit margins has shifted in downstream products the increased demand has balanced domestic demand supply of steel and Ferro Alloys which should enable stable capacity utilization and improved pricing. On global supply concerns prices of steel is expected to remain firm.

Ferro Alloys prices have firmed up substantially and near-term outlook is also positive. Globally many producers have cut the production due to high cost and non-availability of power at viable price. Though incremental benefit will partly be negated by increased coal and coke prices still this segment should perform better in the near future. From November 2021 all our Ferro Alloys furnaces in Raipur will become fully operational

Due to shortage of coal and other sources of energy the world including India is facing power shortage. However, we are assured of regular coal supply at reasonable cost from our own captive coal mines. Sale of surplus power may also give additional revenue to Sarda Metals in the current quarter.

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



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- Moderator:** Thank you very much. We will now begin the question and answer session. The first question is from the line of Shubham Agarwal from Equitas India. Please go ahead.
- Shubham Agarwal:** Good afternoon team and Congratulations once again on a phenomenal set of results. My first question was related to the Ferro Alloys division given that we have seen a significant spike in cost in the last one and half months what is the current cost of production of Ferro Alloys for us?
- Padam Kumar Jain:** Present cost is somewhere about Rs.90,000 a ton.
- Shubham Agarwal:** Basically, what I am trying to understand is given the realizations have also firmed up and our cost of production has also increased substantially last quarter if we see our average EBIT was somewhere around Rs.33000- Rs.34000/- so can we expect similar or better EBIT margin in the current quarter or where is it heading?
- Padam Kumar Jain:** We should be able to maintain our margin to that level.
- Shubham Agarwal:** Sir secondly my question was on hydro project so in the opening remarks you did mention that total revenue contribution was around 128 Crores, I wanted to understand what was the EBIT contribution from this Sikkim new power projects and we have also seen a significant spike in trade receivable by almost Rs.190 Crores so was this because of this Sikkim project and if so, what is the terms of receivable for this segment?
- Padam Kumar Jain:** The EBIT margin from Sikkim Hydro Power Project is Rs.103 Crores and what you are saying is correct the receivables have gone up on account of the Sikkim project because the provisional tariff was approved in September end therefore the invoices were raised only subsequent to that and payment has fallen after the given period of the credit therefore as of September 30, 2021 the trade receivables have gone up on that account.
- Shubham Agarwal:** So, can we see this improving going forward or this will be maintained like this will be the level of receivables?
- Padam Kumar Jain:** No, it will improve because this time for the whole quarter payment was due. Now always it will remain for two months or so and it is again a seasonal effect during rainy season supply is more and subsequent to that it goes down so it is affected but it will go down from here and normal steady period is two months.
- Shubham Agarwal:** In the month of October 2021 all around India we saw increase in rain fall by around 33% if I am not wrong so I wanted to understand we were positively impacted by this and the December 2021 quarter will it be better than normal quarter that we have observed?

**Padam Kumar Jain:** Last year also I think there were rains in October 2020, so definitely overall season to season it may vary but if you see it will be better as compared to the normal period but I think if you compare with the previous year will have to check so far as I remember I think last year also we had some rainfall in October 2020. There was delayed rainfall.

**Shubham Agarwal:** Lastly on the coal part so given that we are starting coal mining this month and the prices of coal have substantially gone up I remember in few calls before you mentioned that per ton benefit that will get will be around Rs.1,000 so now that the coal prices have substantially increased how much per ton will be benefited in the current cost regime.

**Padam Kumar Jain:** You see prices have been fluctuating there has been sharp price increase then there has been some fall in the prices, margins will improve from here but quantification will be very difficult at this moment yes there will be improvement in our margins.

**Shubham Agarwal:** We can consider from December 2021 onwards we will have coal supply from our mines for the four months this year?

**Padam Kumar Jain:** Yes.

**Shubham Agarwal:** Alright. Thank you. That is it from my side and seasons greeting for the entire team.

**Moderator:** Thank you. The next question is from the line of Chetan Shah from Abakkus AMC. Please go ahead.

**Chetan Shah:** Happy Diwali to everyone. Just one question Sir from my side. Seeing the sharp volatility in our steel price on both iron ore and coal and also the pellet could you just give us some sense of remaining six months how do you see the pricing behaving and how is the demand getting impacted because of this one is that and second on Ferro Alloys side such continuous increase in the price is it having any effect on demand from our customer both domestic and a global. If you can give us some sense on that please?

**Manish Sarda:** First of all, let me tell you that we are in a commodity bull cycle and a lot of it has also been there because of the Chinese policies on the cut back of production, pollution control, illegal mining and also that they are not going to at least push the production to their highest levels which we were used to seeing in the last so many years because of the Winter Olympics also being there. So, all in all what has happened is there has been a strong disincentivization in terms of policies in China also lot of production cuts have happened across Europe in Ferro Alloys, specifically in the Ferro Alloys segment because of high gas prices. Crude prices have also gone up the freight prices have also gone up globally whether it is bulkers or containers and we have seen the crisis of the supply chain system across the

world. Apart from this we have seen two years of COVID-19 which we saw was lackluster in terms of productivity because of manpower issues and now that has all slowly dissipated and now we are seeing the productivity has improved everywhere the demand for Ferro Alloys has also increased the demand for steel has also increased and the export markets for India has opened up big time because of China's absence So all in all this will continue at least in the near-term we feel for six to eight months for sure. Now price volatility as we speak as Ferro Alloys prices have peaked, steel prices have also gone up but again we saw today morning that all the major steel producers JSW, Essar, all have increased their flat product prices by Rs.3500. What realizes in the market in real terms will be seen in the next few days but definitely a price increase is there whether it remains at Rs.3,000 levels or Rs.3,500 levels is yet to be seen. Now what we see also is that world over the productivity for all other things has gone up but still there is a shortage of lot of products and overall default growth has to be there because of two years of lackluster productivity due to COVID-19. So, we are very positive in terms of steel markets, that steel markets will remain firm. Coke and coal prices have corrected a bit but they will still remain elevated for the next three four months, Ferro Alloys prices have also corrected a bit it had gone up to \$2000 levels in terms of rupee levels it has gone up to Rs.140,000 it has corrected to some extent and we were expecting this correction which is very normal. But all in all, we feel that the steel market the ferroalloys industry and the commodity cycle in general is going to be firm for the next couple of months at least six to eight months that is what we think.

**Chetan Shah:** Sir just one last question from my side. In terms of in last three to four quarters we were hearing lot of logistics related issue in terms of not just for our business but for almost in general so how is the situation now in terms of availability of the ships and other things and is it relatively better are we back to normal or where are we standing over there.

**Manish Sarda:** No. We are definitely not back to normal. The global trade freights have increased and it is holding up there. The availability of ships and container still is an issue. We are still facing shortages in terms of containers and bulkers across the globe but relatively what we saw few months back the situation is improving day by day.

**Chetan Shah:** Got it. Thanks Sir.

**Moderator:** Thank you. The next question is from the line of Maan Vardhan Baid from Laurel Investment Advisors. Please go ahead.

**Maan Vardhan Baid:** Good afternoon Sir and congratulations for a great set of numbers. Just wanted to understand a little more on the hydropower plant front I missed the first part of the call so this might be a slight repetition. But if you could take us through the linearity of this revenue stream and how will it vary from one quarter to the other.

**Padam Kumar Jain:** Yes, as you are aware the hydro power is a seasonal business so maximum revenue you get in the second quarter of the year, third quarter, it goes down then fourth quarter it is at the minimum level and first quarter again it goes up and again it depends on the rainfall but generally if you see the maximum generation is in the second quarter of the financial year third quarter it goes slightly down from there, fourth is the minimal.

**Maan Vardhan Baid:** If one were to break it up in terms of percentages suppose we generate let us say close to 100% potential in the second quarter what would that potential be in the third and what would it be in the fourth? Roughly I mean obviously there is no sort of an exact number on this but just so that we can built in some things?

**Padam Kumar Jain:** What happens is in the second quarter you get say 90% of PLF for this quarter and gradually PLF goes down maybe I think it goes down to 60% in the third quarter then it will go down to 20% in the fourth quarter and again it will go up to in the first quarter, again it will go to maybe around 40% in the first quarter.

**Maan Vardhan Baid:** Also, just wanted to understand since now we are coming out of some major capex plans that we have done so what would be our debt repayment agenda over the next couple of years?

**Padam Kumar Jain:** Debt prepayment has already started. We are making all payments on time and slightly we are prepaying and otherwise whatever additional generation is there that is being utilized for our expansion projects. We will be paying as per schedule and rest there may be some prepayments but not materially rest will be going for expansion projects.

**Maan Vardhan Baid:** So, what would be the expansion projects that we have ongoing right now?

**Padam Kumar Jain:** As of today we have taken one expansion in Ferro Alloys plant in Visakhapatnam, second is we have taken a 25 megawatt hydro power project, third we have taken coal mines at Gare Palma, Chhattisgarh, fourth is coal mine in Madhya Pradesh these are the four ongoing specific capex plans in addition to the normal capex whatever improvement capex are there in addition to these four we have already taken then few others are lined up where two more hydropower projects are in pipeline and definitely maybe something on solar side also we can look at but not found plants on that side.

**Maan Vardhan Baid:** So, are we also planning to liquidate some of our investments to fund these projects since we have some investments in the public listed equity side etc?



**Padam Kumar Jain:** As of now that requirement is not felt we have sufficient surplus to meet our capex requirement. If that is required will be taken care of but as of now, we have sufficient surplus generation to take care of our capex plans.

**Maan Vardhan Baid:** Any further investments in public equity that is planned from the listed company?

**Padam Kumar Jain:** No such plans as of now.

**Maan Vardhan Baid:** Thank you.

**Moderator:** Thank you. The next question is from the line of Madhukar Sheth from Blue Ideas Services. Please go ahead.

**Madhukar Sheth:** Thank you. Congratulations Sir you have given excellent results. First of all, I am sorry I came late since the market was open, so I was there, JSPL is exporting 40% of the steel how much do we export?

**Padam Kumar Jain:** We are not exporting steel we are exporting Ferro Alloys.

**Madhukar Sheth:** Only Ferro Alloys no steel.

**Padam Kumar Jain:** Yes, we are in the long product side.

**Madhukar Sheth:** On the long product so, flat product has premium long may not have.

**Padam Kumar Jain:** Yes.

**Madhukar Sheth:** Sir in our sponge iron plant we are writing 100 MTPD generally when we read MTPD we read million tons per day or whatever per so, in regards Sir we are already metric in 1960s so I am sorry I was confused, so if you write per ton, will be okay for us, this is only a suggestion and nothing else. My question is that in late 1980s and early 1990s Jindal's were putting up 1 lakh ton per day sponge iron plant, meaning that they will just make it and sell it, and they were very happy with it and we are making sponge iron plants in different sizes so can we standardize our size so that we have interchangeability with spare parts and other things.

**Manish Sarda:** What you are saying is of 1990s and after that we have done it for 500 tons per day. As and when there was improvement in the technology, now generally 500 tons or 600 tons per day is standard size over here. In the 1990s only small size plants were there.

- Madhukar Sheth:** This sponge iron seems to be the cheapest route to making steel today because of the rise in coking coal?
- Manish Sarda:** Yes.
- Madhukar Sheth:** Very good, Sir. What is power consumption in Ferro Alloys plant which we say to be highly power consuming?
- Manish Sarda:** Power consumption depends on the product to product what type of product we produce and what type of raw material we use but generally in case of silico manganese it is in the range of 4,000 units and in case of Ferro manganese it is in the range of 3,000 units.
- Madhukar Sheth:** Very good, Sir because I remember I am 73 years old and I am almost retired but in good old days I used to participate in many conferences so everyone used to go to South Africa, because of the power system and to make Ferro Alloys. So now we are competitive in power generation so we do not face that problems right Sir?
- Manish Sarda:** No, we do not face any issues.
- Madhukar Sheth:** We have diversified very well and I am sure you will continue to make profits better profits against adverse market conditions also.
- Manish Sarda:** Thank you Sir.
- Moderator:** Thank you. The next question is from the line of Satyan Wadhwa from Profusion Capital. Please go ahead.
- Satyan Wadhwa:** I joined a little bit late I am not sure if you covered this but just wanted to know what is the per unit realization for the Sikkim project the hydro project it has been finalized?
- P K Jain:** This is not a fixed tariff project this is a cost plus tariff, the tariff will vary year to year depending upon the cost effect and all those things where we have been assured of the equity return as per regulations there are two parts of tariff one is the fixed cost and another is variable so there is a detailed regulation so there is no fixed tariff for this.
- Satyan Wadhwa:** There is no fixed tariff is there a fixed sort of revenue that you will be able to generate from this on an annual basis that will depend on the water availability and water flow etc.
- Padam Kumar Jain:** Yes pardon.

- Satyan Wadhwa:** Is there a fixed tariff that you will be able to get because it is a return on equity formula right so you will get 15.5% ROE so what is the actual tariff or the total tariff that you can get from this project on an annual basis so for FY23 what is the likely revenue potential of this project if you could just shed some light on that?
- Padam Kumar Jain:** The revenue potential should be Rs.250 Crores plus.
- Satyan Wadhwa:** And should we take it about 80% EBITDA margin on that or more?
- Padam Kumar Jain:** Pardon.
- Satyan Wadhwa:** Should we take as about 80% EBITDA margin?
- Padam Kumar Jain:** Yes, it should be somewhere near that.
- Satyan Wadhwa:** Great 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 and congratulations on good set of numbers. Sir my first question is regarding your coal blocks so this mining that you are going to start is it going to cover your entire coal requirement for captive usage?
- Manish Sarda:** Yes, it will suffice our entire requirement. Now depending on the market conditions, we will take a call whether to sell the low -grade coal in Raigarh itself and keep on purchasing high-grade from South Africa or from SECL.
- Abhishek Maheshwari:** My follow up question was on that only so if you have more coal in the mine will you be able to sell it in the market?
- Manish Sarda:** Absolutely, this is a commercial coal block we can sell everything in the market.
- Abhishek Maheshwari:** So, is there a selling limit to that?
- Manish Sarda:** As of now the mining capacity limit environment limit that we have got is for 1.2 million tons we are trying to increase it to 1.8 million ton in coming year.
- Abhishek Maheshwari:** Sir my last question is regarding your coal imports so right now you are importing any coal from Australia, Indonesia and all for your coke requirements and all coking coal?



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**Manish Sarda:** We have sufficient stock at the moment once the mine commences, complete requirement we will cover from our coal mine. We have a washery also attached to the coal mine so all our high -grade coal we will be able to get from that.

**Abhishek Maheshwari:** Thanks. That is it from my side.

**Moderator:** Thank you. The next question is from the line of Aman Madrecha from Augmenta Research. Please go ahead.

**Aman Madrecha:** Sir as you said the Ferro Alloys prices are increasing like how is the scenario in the Manganese ore prices which are the main raw materials of Ferro Alloys how is it going?

**Manish Sarda:** The manganese ore prices they have remained stable till now as the supply side is very well covered and there are new mines which have come into production but in the last 20 days we have seen some manganese ore prices firming up by around 6% to 10% depending upon the different grades but we do not see a big price rise coming around in the manganese ore side as the supply side is very well contained and there is a lot of material in the international market which is available.

**Aman Madrecha:** Sir do we procure manganese ore from imports or domestic requirement?

**Manish Sarda:** We have a very nice blend of domestic manganese ore from manganese ore India limited and also, we import high grade manganese ore so we have a perfect blend in terms of imported and Indian manganese ore.

**Aman Madrecha:** Sir like as I know the coking coal is just required in our Ferro Alloys production or steel production also.

**Manish Sarda:** We do not require any coking coal we do not require coking coal in our Raipur unit and we do not require any coking coal in our Vizag unit all we require is coke and also the coke requirement is also not like very huge. The coke prices have an impact in our production but it is not a very big impact as we are able to manage it with South African coal as well. So we use coke in production of ferroalloys to the tune of 25% to 35%.

**Aman Madrecha:** Sir like how do we see the outlook for pellets, billets everything going forward?

**Manish Sarda:** As I said in the initial half of the call that overall, we are in a commodity bull cycle and we are seeing a very good firm stable market and a very good stable demand for the next six to eight months.

- Aman Madrecha:** Sir and then in the last quarter you said that the pellet realization we are expecting the pellet realization to come down by 20% to 25% so that scenario continue or like it is going to increase only.
- Padam Kumar Jain:** Our last quarter's average realization for the pellet has been Rs.13,900 and I do not foresee 25% downfall from here maybe it is slightly down by 10%, 15% might be down otherwise for the current quarter it will not be materially down.
- Manish Sarda:** The basic volatility will be there in the markets but it is not going to be a great impact per se for the next six, eight months when we say stable maybe some prices may come down some prices may go up as well.
- Aman Madrecha:** I got it.
- Moderator:** Thank you. The next question is from the line of Rajesh Bhandari, Individual Investor. Please go ahead.
- Rajesh Bhandari:** Sir good afternoon and congratulations for the very good results. By the way Sir today's day is Sarda, Mother Saraswati and Dhanteras, Laxmi, is coming together, so I just wanted to tell you, why don't you do something for the investors, those who are the shareholders why don't you give any value enhancement, like either you give bonus issuance, or dividend or consider share split?
- P K Jain:** This is a board decision, and in this investor meet we cannot do anything.
- Rajesh Bhandari:** I am just telling you that we can think of it, beyond this also because since the results that you have shown, and with the share split, actually liquidity in the market will go up so many other people also will be able to participate.
- P K Jain:** Whatever thoughts definitely we will place before the appropriate forum.
- Rajesh Bhandari:** The results are so good that please consider bonus issuance also?
- P K Jain:** Thank you.
- Rajesh Bhandari:** Now I am coming to the technical points Sir, this Ferro Alloys your total production at Raipur and at Vizag that is 1,54,290 tons approximately. The total production will be for the whole year or it can go up?
- Manish Sarda:** No Sir, our installed capacity is more apart from that it also depends on what product we are producing. Suppose we produce Ferro Manganese we can produce more than what you have

just mentioned but it depends upon the market demands and the dynamics of the pricing that we take a call as to what we are going to do quarter on quarter and going forward what we are going to do is we are going to expand in Vizag by adding one more furnace and we will be expanding our capacity by another 45,000- 50,000 tons there.

**Rajesh Bhandari:** By when is it expected to be started, the Vizag expansion?

**Manish Sarda:** I think another 12 months we will see the production, correct me if I am wrong.

**Padam Kumar Jain:** Correct.

**Rajesh Bhandari:** For the 12 months the production means after second half of the next year production will start?

**Manish Sarda:** Yes hopefully.

**Rajesh Bhandari:** Like you were saying that the production is less in Russia and China, so has the demand for Ferro Alloys has been lessened?

**Manish Sarda:** No Sir. It is like this that Chinese have an installed capacity of 25 million tons of Ferro Alloys and in Europe what has happened is that we have seen gas prices going up and Russia is unable to also produce enough gas and give it to them so we have seen major players like Ferro Globe, OFZ, and other plants of Vale and are reducing capacity to 50% now these plants are big plants. What is happening is that globally apart from China there is a shortage of Ferro Alloys I mean in China what they are doing is they were exporting out of China also to the Asian markets like Taiwan, Korea, Japan so that has stopped for the moment and what China is producing is only consuming in their own captive way. So overall what we are seeing is a supply chain imbalance in terms of markets like Latin America, Middle East, South East Asia we are seeing a little bit of imbalance and that is why the Ferro Alloys prices are at elevated levels.

**Moderator:** Thank you. The next question is from the line of Hemant Manoj, Individual Investor. Please go ahead.

**Hemant Manoj:** Good afternoon and congratulations on very good results. I have multiple questions in the interest of time I will try to limit it to two. One is taking of on the previous answer it has actually explained very well how the Ferro Alloys demand is or rather supply is getting impacted from China so related point from that I would very much appreciate if you could give us your view that why supply of Ferro Alloys it is getting impacted because of their own power constraints as well as those various regulatory limitations that the Chinese

government have imposed do you think that they would also be a constraint reduction in the consumption demand of Ferro Alloys internally and so that it might neutralize the reduction in supply.

**Manish Sarda:** You mean to say that the Chinese consumption is reduced.

**Hemant Manoj:** Right.

**Manish Sarda:** So what has happened is we have seen a steel contraction in terms of production there, so definitely the demand for Ferro Alloys will be lesser in China but you have to also understand that India does not export to China India competes with China in the global markets so what happens is there is a contraction in demand and then there is a contraction in terms of production of Ferro Alloys. India has an edge over China today in the global markets because India is producing we are like full steam all the production centers in India doing very well and we are one of the largest sea borne suppliers of silicone manganese in the world today.

**Hemant Manoj:** Yes, I mean I was just trying to understand that since the supply is getting reduced and if the demand also reduces to the same extent when China will be not left with any additional deficit, I mean the remaining rest of the world remains where they are.

**Manish Sarda:** No, you have to understand that the Chinese steel production will go down the Ferro Alloys production is also down so their captive demand is met with their own captive plants of Ferro Alloys but China becomes inconsequential when they are not able to export in the global markets and India becomes a favorite after China because after China, we are one of the largest base for silicone manganese production in the world. So, if China is not able to produce for their own captive self, they will definitely not be exporting in the world markets right and then we are there to compensate on those deficits in terms of supplies from China.

**Hemant Manoj:** Thanks and now another question actually on the coal mine part I mean since you already have the Gare Palma 1V/7 now with you and you are now going to develop another mine if you could give a sense on roughly as a percentage terms what percent of I mean I understand that you are also stopping your low grade coal here selling into the market and importing the higher grade coal so net of that what percentage you will be covered by your Gare Palma IV/7 mine in terms of coal availability as of the December 2021 end and going forward let us say six months one year down the line.

**Manish Sarda:** As already conveyed it is sufficient to meet our 100% requirement and then also there will be surplus, our total coal requirement is less than a million but as told part of that we may sell and to that extent we will import high grade coal or maybe we will be buying high

grade coal from south eastern coal field. So that mining sufficient to take care of our full requirement and then also there will be surplus to disposes it in the market.

- Manish Sarda:** We also have, just to add onto that we also have our own coal washery along with our coal mines. So, our production capacity is 1.2 million tons we have already requested the government to grant us the permission to produce 1.8 million tons going forward and we will also see that what is the pricing dynamics that is available in the market and how we can arbitrage that situation to our advantage to the company's advantage.
- Hemant Manoj:** Which means we will be mostly on the spot markets only on both sides buying the imported coal or rather market coal and selling your own coal.
- Manish Sarda:** No, if our coal we can sell at a higher price and we can have replacement cargo at a cheaper price on a fixed cargo basis we would definitely look at that option as well.
- Hemant Manoj:** So, you evaluate regularly and then you decide whether it would be in the fixed side or not.
- Manish Sarda:** Yes, it is a metrics that we will have to follow to seek what is the best advantage to the company.
- Hemant Manoj:** Thank you. In the interest of time, I will stop here and then I could come back later if there is some opportunity. Thank you very much.
- Moderator:** Thank you. The next question is from the line of Shubham Agarwal from Aequitas India. Please go ahead.
- Shubham Agarwal:** I just had one more question regarding the coal mine so what will be our average cost of production per ton from this mine?
- Padam Kumar Jain:** The cost of mining would be around Rs.1,000 to Rs.1200, the open cast one and from the underground coal mine that we have got it will be around Rs.Rs.1,600 to Rs.1,800.
- Shubham Agarwal:** This includes the premium that we will pay or that is on top of that.
- Padam Kumar Jain:** It will be on top of it.
- Shubham Agarwal:** So, including the premium and on an average taking the underground and what will be our average cost of consumption of this coal mine?
- Padam Kumar Jain:** There are different varieties of coal so it will be very difficult because the mine has got different things.



- Manish Sarda:** Let me put it this way just to clear of your question in the sense that you are satisfied with the answer see both one is the high grade mine one is the low grade a power grade coal mine and then once you start mining you have the different varieties of coal and plus we have our own washery. So, we will be upgrading also the coal. It is a very difficult answer because it is a very futuristic answer as to what the coal pricing would be or the coal costing would be because it all depends upon the coal mining that we do and how much upgradation that we do at that point of time depending upon the market scenario.
- Shubham Agarwal:** And secondly on the cost of production of Ferro Alloys which Jain sir mentioned that it is around Rs.90,000 currently so sir can you please give me some sense of the breakup of cost in power coke and manganese ore currently.
- Pankaj Sarda:** No this was based on the current market price based on our stock position definitely our cost of production will be on lower side but I had given the base on the current market price the cost is coming around Rs.90,000 on the current market price.
- Shubham Agarwal:** Per unit cost of power generation right now.
- Pankaj Sarda:** Per unit cost of power generation in Raipur is well below Rs.5 and Visakhapatnam present cost of power generation is little on a higher side because of the imported coal.
- Shubham Agarwal:** So, this shall substantially go down post December 2021.
- Pankaj Sarda:** Yes.
- Shubham Agarwal:** Perfect. Thank you. That is it from my side.
- Moderator:** Thank you. The next question is from the line of Satyan Wadhwa from Profusion Capital. Please go ahead.
- Satyan Wadhwa:** Just one question on the hydro power front, your total debt is roughly about Rs.1,050 Crores just wanted to know what is the interest payment on this debt for the hydro projects.
- Padam Kumar Jain:** Pardon. Will you please repeat your question?
- Satyan Wadhwa:** Have you renegotiated the interest on the hydro power project in Sikkim now that is commercialized and where could be the effective rate of interest on the debt for Sikkim for next year FY23 I guess we have got a better rate now that it is a revenue generating project.
- Padam Kumar Jain:** There has been some reduction in the rate of interest post commissioning of the project but so far as renegotiation or refinancing is concerned it will take some more time because now

after commissioning we have to have some performance actual performance in place then final tariff has to come up, the rating exercise is going on once the rating is improved there is actual performance data available then we will go for a refinancing or renegotiation of the rate of interest so in FY23 there will be reduction in the rate of interest as compared to the present rate of interest.

**Satyan Wadhwa:** So, what is the current rate of interest Sir.

**Padam Kumar Jain:** Currently the rate of interest is somewhere about 11% plus, 11%- 11.5%.

**Satyan Wadhwa:** And you would expect this to go down to maybe 8.5%- 9% post the renegotiation next year?

**Padam Kumar Jain:** Yes, it should go somewhere about in the range of 9% or below 9%.

**Nilay Joshi:** Actually, it will depend I mean the rate will depend I mean renegotiation all it will depend on how the market is how the interest rate cycle at that point in time and then also the rating.

**Satyan Wadhwa:** Based on what the current market is so we do not have what rates would be like a year from now but yet in the current scenario I am trying to get a sense on that it will be deep reduction in the cost of interest also?

**Nilay Joshi:** Very difficult to give a number now there will be reduction but very difficult to give a number right now.

**Satyan Wadhwa:** Okay, that is fair enough thank you.

**Moderator:** Thank you. The next question is from the line of Marshal, Individual Investor. Please go ahead.

**Marshal:** First of all, congratulations to the entire team for the fantastic results. I have few questions one question is that for example in case of our hydropower plant what is the estimated rain fall in the Sikkim during the December quarter and what was the actual rain fall during September quarter.

**Padam Kumar Jain:** So, this is very technical question this we have to get back to you on this the actual numbers.

**Marshal:** So, as you said before that like that the production as compared to PLF will be approximately 60% in the December quarter from the hydropower right.

**Padam Kumar Jain:** What happens rainfall data is very difficult to quantify in this way we can get back to you on this point.

**Marshal:** No sir I am not saying about rainfall I am saying that as you mentioned in the reply of one of the other questions that the estimated production or the projected production of the hydropower like during Q2 which is September quarter is approximately 90% of the PLF and then now it is in December quarter it is 60% then it further tapered down in the Q4 so you are saying the 60% is approximately production will be there from the hydropower in December quarter right.

**Padam Kumar Jain:** In a normal course of the time.

**Marshal:** Number two you said that we will be opening this new mine in December month so to start with this mine in December month itself what will be like estimated production on the cost of material itself.

**Padam Kumar Jain:** It will reach the total required capacity 1 lakh ton per month so we will be achieving form the very first month.

**Marshal:** Very good sir and then during this recent coal crisis did it impact our company or not.

**Padam Kumar Jain:** Pardon.

**Marshal:** Like last few weeks we have seen that the coal India stopped supplying coal to other user then to user other than the power plant.

**Padam Kumar Jain:** No, we were not impacted during the coal crisis we had covered our coal requirements from the domestic as well as the international markets well before the coal crisis happened.

**Marshal:** Very good. Good planning Sir and my last question is that is what was the average price of pellet and the wire rods during September quarter and what is the current prices.

**Padam Kumar Jain:** As already mentioned in our presentation in September quarter our pellet average realization was approximately Rs.13,900.

**Marshal:** And what is the current price Sir.

**Padam Kumar Jain:** Current price is somewhere about around Rs.13,500 to Rs.13,000.

**Marshal:** Sir what would wire rod.



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- Nilay Joshi:** Actually if you refer to the presentation now you will find this in the investor presentation.
- Marshal:** But like I could say only production quantity I could see and the rate has been less than anyway so like and yes what is the current prices of the wire rod.
- Padam Kumar Jain:** It was Rs.45,000 in the September quarter.
- Manish Sarda:** Currently the prices are about Rs.50,000.
- Padam Kumar Jain:** Currently Rs.50,000.
- Marshal:** So that currently the price of wire rod is more with the September quarter.
- Nilay Joshi:** If you refer to slide #14 you will get all realization related data.
- Marshal:** Sir one more question what cost rationalization efforts we have taken or we are trying to take like to optimize the cost and so on to be still to produce still better results.
- Padam Kumar Jain:** Could not get your question, please?
- Marshal:** What I am saying like in order to take any potential headwinds in the stride every company take some special initiative on the cost control, cost reduction, cost optimization whatever you call so if you can give a couple of points that what specific cost measures you have taken at cost control measures you have taken so that which will be present our company itself.
- Padam Kumar Jain:** I am happy to share that we have changed both of our turbines that were old and there was a very high Capex investment that we had taken so that we can improve our steam generation so that is one of the major cost effective exercise that we had taken, in recent times as you must have known we have taken all our Ferro Alloys furnaces one by one under shutdown for five months and we have upgraded all our equipments in these difficult times where coal and coke prices have increased three times we have covered our self in such a way that we do not see any shortages of these commodities in our existing running plant.
- Moderator:** Thank you. Ladies and gentlemen, that was the last question for today. I would now like to hand the conference over to Mr. Pankaj Sarda, Joint Managing Director, Sarda Energy & Minerals Limited for closing comments. Thank you and over to you Sir!
- Padam Kumar Jain:** We thank all the investors who have repositied confidence in the company. We hope we have replied to all the queries to their satisfaction. In case of any further queries, they can always write to the company or our IR team, the coordinates are given in the presentation



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which is filed with the stock exchanges. Thanks once again for sparing time and participation.

**Moderator:**

Thank you. Ladies and gentlemen, on behalf of Sarda Energy & Minerals Limited that concludes this conference. Thank you for joining us and you may now disconnect your lines.