



“Sarda Energy & Minerals Limited Q3 & 9M FY23 Earnings Conference Call”

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Management: **Mr. Pankaj Sarda– Joint Managing Director, Sarda Energy & Minerals Limited**
 Mr. P. K. Jain – Director & CFO, Sarda Energy & Minerals Limited
 Mr. Manish Sarda – Deputy Managing Director, Sarda Metals & Alloys Limited

Moderator: Ladies and gentlemen, good day and welcome to Sarda Energy and Minerals Limited Q3 and 9 M FY23 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 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 and Minerals. Thank you and over to you, sir.

Pankaj Sarda: Thank you, moderator. Good afternoon everyone. I extend a very warm welcome to all of you to the Q3 FY23 Earnings call of Sarda Energy and Minerals Limited. Our 'Press Release' and 'Investor Presentation' containing details of performance has already been uploaded. Today's presentation and discussions may include a forward-looking statement which must be considered in conjunction with the risk that industry in general and our business in particular face and actual results may vary materially.

During the quarter under review, globally economies faced macro headwinds on account of resurface of COVID in China, high inflation, high interest rates, war between Russia and Ukraine and other sanctions.

Globally, central banks adopted tighter monetary policies to rein in the inflation resulting into liquidity tightening and higher interest rates. During CY22, world steel production recorded negative growth of 4.2%. China, which produces half of world steel, has recorded negative growth of 1.92%. Ukraine's production suffered most and was down by 70.7%. India and Iran are the only countries among top-ten countries who have recorded positive growth in CY22. India recorded growth despite fall in steel exports from 3.75 million ton to 1.3 million ton in the quarter Y-o-Y and from 14.5 million ton to 6 million ton during 9 months Y-o-Y and increase in imports from 1.13 million ton to 2.25 million ton in the quarter Y-o-Y and from 3.6 million ton to 5.03 million ton during 9 months Y-o-Y. This has been possible due to robust domestic demand. The apparent consumption in the quarter has gone up from 27.05 to 29.86 million ton and in 9 months from 76.77 million tons to 85.53 million tons. Removal of export duty from 19th November will further boost the domestic steel production.

The central government focused on infrastructure led CAPEX and the budget will further boost steel demand. This reflects inherent strength of Indian economy and domestic steel industry. Domestic steel prices improved post withdrawal of export duties. The price of fuel has also moderated, however, there is an impact of high-cost inventories in Q3 results in general. New capacity addition in ferro alloys and fall in demand due to shutdown of steel capacity globally, adversely affected ferro alloys prices and margins.

Grid power prices have been increased by most of the state utility due to increased fuel cost on account of compulsory mixing of imported coal in thermal generation. This has reduced profit margins in steel and ferro alloys manufacturing. However, we are less affected because with the captive coal, our fuel and power cost remains stable.

Secondly, our foreign exposure of imports is hedged by exports at the consolidated level. Thirdly, we are less affected by the increasing interest rate due to low net debt and fourthly, our diversification into the hydropower sector reduces volatility of our earnings.

The operating performance of manufacturing facilities has been stable. During 9 months ended December 22, we recorded highest ever production of our steel products except sponge iron. The sponge iron production was affected on account of use of captive coal as part replacement of high-grade imported coal. We are seeking permission to increase the capacity of wire rod mills from 1,80,000 tons per annum to 2,50,000 tons per annum through debottlenecking without any major CAPEX.

We exported 20,554 metric tons of ferro alloys valued about Rs. 176 crores against almost 23000 in Q3 FY22, valued at Rs. 289 crores and 16,740 metric tons in Q2 FY23 valued at Rs. 175 crores. The 113-megawatt Sikkim hydropower project billed 388 million units in 9 months FY23. At the generation bus level, the plant achieved PLF of 52% in the 9 months. However, due to delay in arrival of monsoon and scattered rains, the Gullu Hydropower Plant in Chhattisgarh generated only 73.61 million units against 96.43 million units in 9 months of the previous year. The Uttarakhand project generated 19.31 million units against 21.42 million units in 9 months FY22.

Projects: The 36 MVA ferro alloys furnace installed in Vizag commenced production in December 2022. The operation of the furnace is stabilized and commercial operation commenced in January 2023. There is an improve capacity utilization of power plant also, which brings in the benefits of scale. The process of environmental clearance is going on for our coal mines. The public hearing for EC of Shahpur West coal mine has been completed successfully. The process for grant of consent to establish is also going on parallelly.

Construction work at 25 megawatt Rehar hydropower project in Chhattisgarh is progressing as per schedule. Orders have been placed for long delivery items. The project is scheduled to be completed before end of FY24-25. We have received permission for increase in the capacity of Uttarakhand hydropower project from 4.8 megawatt to 7.8 megawatt. We are taking steps for other approvals required in this regard.

Now I hand over to Mr. P K Jainji who will brief about financial performance and position of the company. Over to you, Mr. Jain.

P K Jain:

Thank you, Pankajji. The company has achieved quarterly consolidated revenue of Rs. 908 crores during quarter 3 of FY23 against Rs. 967 crores reported in last quarter and Rs. 999 crores

in corresponding quarter of the previous year. The company has reported operating EBITDA of Rs. 197 crores during the quarter against Rs. 281 crores in the previous quarter and operating EBITDA of Rs. 315 crores in quarter 3 of the previous year. The company's profit after tax at the consolidated level stood at Rs. 130 crores as against Rs. 181 crores in the previous quarter and Rs. 167 crores in quarter 3 of the previous year as available to the owners of this company.

Debt position: At the standalone level, the company is net debt-free with surplus funds. As on 31st December 2022, gross debt stood at Rs. 1,370 crores. Bank balance and liquid investments stood at Rs. 725 crores. The net debt of the cash and current investment stood at Rs. 650 crores and net of loans given as a treasury operation; the net debt is just Rs. 250 crores. Loans repayable within one year is Rs. 166 crores. Ongoing CAPEXS, including for coal mines have been financed from internal accruals. The company is not exposed materially to currency rate fluctuation. Foreign currency exposure is mostly covered by natural hedges of imports and exports.

I now hand over to Sri. Manish Sarda who will brief about steel and ferro alloys industry scenario and outlook.

Manish Sarda:

Thank you Mr. Jain. In quarter 3 FY23, India produced 21.39 million ton of steel recorded a growth of 1.95% year-on-year and 2.3% quarter-on-quarter. Global steel production was 426 million metric tons in quarter recording degrowth of 6% quarter-on-quarter and 5% year-on-year. India exported 1.32 million metric tons of steel against 1.8 million tons in previous quarter.

In the 9 months, India exported 6 million tons of steel against 18.5 million tons during the same period of previous year. Domestic consumption increased from 28.17 million metric tons to 29.86 million quarter-on-quarter. Energy and logistic prices, which constitute a substantial portion of the cost of production and distribution of steel are at elevated levels. As such, prices of finished steel may not go down substantially. Having our own coal mine, we are insulated to a large extent from an increase in energy costs.

Outlook:

The government's focus on infrastructure led CAPEX and renewal of export duty on steel augurs well for the Indian steel industry. Opening up of China has further improved sentiments resulting into increase in steel prices. Coke, coal and energy prices may remain range bound with upward bias, iron ore and pellet prices may also remain stable on strong demand.

Manganese ore prices have also started moving up. Ferro alloys prices are range bound with upward bias due to production cuts after correction due to oversupply on account of fall in global steel production and capacity additions. However, higher energy prices in other parts of the world is helping in improving price realization. The company is evaluating various growth opportunities in the field of its operations. This is all about the performance and outlook. Now we leave the forum open for questions from the participants.

Moderator: Thank you. The first question is from the lines of Madhukar from Amax Network PLC. Please go ahead.

Madhukar: My name is Madhukar. May I have a lecture from you on the coal situation, the coal trend and the price trend not only price trend, but the quality trend also, so that we get some grip of what is happening in coal fields and how will it affect us?

Manish Sarda: General understanding of the coal industry?

Madhukar: Yes.

Manish Sarda: So, coal prices, right now internationally are hovering for South African coal, they are basically hovering from \$145 for RB1, around \$125 to \$130 for RB2 and around \$117-\$118 odd for RB3. As far as domestic coal production is considered, we are seeing that there is some improvement, but again the monsoon will set in and the prices will again go up in the international market because during monsoon time, the mining activities in the domestic mining areas become very slow. So, overall the coal prices are going to remain buoyant because of energy crisis across the globe. Primarily, there are flooding which has happened in Australia recently due to which we have seen the coking coal prices shoot up and coke prices have also gone up because of that. Mostly for the next 6 months, if you ask me it will be range bound or may be stable at around these levels but going up above \$145 looks to be difficult for the South African steel coal. So, this is where the coal markets are right now. Our company is insulated because we have our own coal mines and we are increasing our coal mining capacity also. So, more or less, we are quite insulated from the energy prices in terms of the price movement. You have any specific question with regards to coal that we can answer addressing the general trend.

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

Aman Madrecha: Sir, can you please throw some more light on the scenario of ferro alloys that is happening as you mentioned that the new capacity is coming in the ferro alloys space and reduction in the global steel production, so some more highlight on and some sense on how is the pricing trajectory moving currently for the ferro alloys?

Management: The current pricing for the normal domestic grade 60-15 is hovering around 77,000 and for the international market, the export market, the pricing for ferro alloys is around 82 to 84000 levels. I personally believe that the market is going to be range bound in this range for the next 3 months or so, but we might see some sharp increase in pricing only after the announcement by the state government in Andhra for the electricity pricing because there is a talk which is happening that they will be increasing the electricity prices by 80 paisa. So, right now, it is going to be range bound, but I think in the coming few months, we will see some uptick in prices if the electricity prices move up and manganese ore prices have already moved up by 12 to 13%. So, below this, I don't think the prices will go down, but it may move up further.

Aman Madrecha: And sir, similarly, so how are you seeing the domestic pellet market post removal of export duties? So, is the domestic market able to absorb the pellets or is there over capacity in the market?

Management: You must be knowing that India is close to 100 million plus tons of pellet production and primarily the domestic demand is already met, there is overcapacity, so whatever is left out goes into export markets in China, Korea, Taiwan, all these markets, they take away but mostly all the domestic demand is met, because it is easier to meet the domestic demand.

Aman Madrecha: We can expect the pellet to hover around?

Management: Export cycle is a little longer and domestic market is very strong, domestic demand is good, domestic pricing is also good, so people prefer firstly apart from the coastal plants, they prefer that domestic demand is met first and then the export takes place.

Aman Madrecha: The pellet prices are also expected to remain range bound according to the orders of the deals you are getting?

Management: In the short term, I think yes, it is going to be range bound and the pellet prices also depends upon the price of iron ore in the international market, so right now we feel that the pellet market is going to be buoyant and looks to be quite strong and firm.

Moderator: Thank you. The next question is from the line of Subham Agarwal from Aequitas Investment. Please go ahead.

Shubham Agarwal: Sir, I wanted to know a bit more on the ferro alloys, so you have already mentioned few things, but in terms of European production, so the prices of electricity has gone down there, so how do you think it will impact the total demand scenario situation?

Management: There has been a bit of easing in the European side, but we have to understand that in Europe, it is not that easy to simply shut the plant and stop the plant. What we are seeing is that there is a plant which is based in Slovakia Košice which has been shut down and even after easing out of the electricity pricing, we have not seen the starting up of the plant or any activity there in terms of startup because it is not simple because we are not sure how long the war is going to continue and if the war again resurfaces in a stronger way, I don't think so they will be in a position to actually take on that kind of risk, so they are also waiting and watching because European steel demand is now going to come up in the next quarter and then probably we will have a much better picture as to whether these ferro alloys plants will start or not. The plants based in Norway, they are already running, but mostly on ferro silicon and silicon metal and so they have a better realization there.

Shubham Agarwal: As per our estimation, what would be the total volume of steel plant which is lying idle and which has the potential to come back, if you have any number?

- Management:** No, that exact number I don't have for Europe, I don't have that exact number, but there have been plants which have been shut down partially and there have been plants in Ukraine which are completely shut. So, we don't have the exact number, but plants in Italy and all are running, but they are not fully back there, they are going to startup. In the next quarter, we are going to see that the demand comes in because we have heard that people are planning to start production in the next quarter.
- Shubham Agarwal:** And with the increased capacity at our end, what is the incremental volume that we are expecting from Q4 onwards?
- Management:** Increasing capacity where?
- Shubham Agarwal:** We have started our new plant 36 MVA, so what is the incremental volume that can be expected from Q4?
- Management:** I think we will be having roughly 50,000 tons extra capacity.
- Shubham Agarwal:** And lastly in the coal side, so our 1.8 million tons plan has been approved, so what is the timeline, from when we can start mining those?
- Management:** We see that in the next 6 to 8 months, we should be able to get permission to operate at full 1.8 million ton.
- Shubham Agarwal:** And lastly, we have also bid for one of the power plants, so what is the status there if you can appraise us?
- Management:** No, that is at the bidding stage only. Now bids have been submitted, bids are being examined by the resolution professional and then negotiation process is going on, so it is still at early stage.
- Shubham Agarwal:** So, just wanted to know what would be the total size of the asset if in case it comes to us, like in terms of numbers?
- Management:** The plant is 600 megawatt now depends on how the things move, how the negotiations take place. There are multiple factors. It is too early to comment on that, but yes, as far as plant capacity is concerned that is 600 megawatt plant.
- Moderator:** Thank you. The next question is from the line of Maanvardhan Baid from Laurel Advisory Services. Please go ahead.
- Maanvardhan Baid:** So, when will the expanded capacity on the washery be operational?
- Management:** So, for washery expansion we need to have a public hearing. Our application is pending with the environment clearance, we are already submitting the same in this month end and hopefully in

next 3 months, we will get the environment clearance, but before that in next 3 months we have to do a public hearing for the expansion as well. So, I expect in the next 6 months, we should be able to complete the public hearing and all the environment related approvals and next 6 to 8 months, we should be able to get our clearances for 1.8

Maanvardhan Baid: And also wanted to understand, since we mentioned that we are bidding for additional mining assets, so what are these assets ?

Management: So, we are bidding for some iron ore mines that have come for the auctions as well as coal, so we are seeing if some opportunities live for us, so we are bidding for those assets.

Maanvardhan Baid: So, we will be restricted to these 2 minerals only? Coal and iron ore that is where we are...

Management: As of now, with the auctions that are lined up, yes.

Management: We in the medium term we are definitely looking for manganese assets also, but as of now we have not yet identified any specific one.

Maanvardhan Baid: And also, sir currently on the iron ore front I think we are operating at 30%-35% of the mine capacity, so just wanted to understand how can that be scaled up and what are the challenges in scaling that up?

Management: The mine size is very small and we don't have much of the scope to increase the output beyond this level, so it will be operating in this range only.

Maanvardhan Baid: Since we are midway through February, from December to February how is the pricing on the ferro alloys front moved?

Management: The prices in January were much better. It had moved from 72,000-73,000 to 80,000 plus. Again, there is some correction as already stated in our recent statement. Presently, it is hovering around 77,000 for 60-14 domestic grade.

Moderator: Thank you. The next question is from the line of Rajinder Singh Kakar, an Individual Investor. Please go ahead.

Rajinder Singh Kakar: As an investor I want, does our share lacks liquidity in the stock market? And this is the golden jubilee year of the company, how we are going to celebrate it?

Management: Yes, 2023 June is golden jubilee year. Next meeting of the board is for accounts result, let us see how the board takes the view in this regard. It will be too early on our part to comment. Yes, we have received the observation of the investors regarding the liquidity and we definitely will discuss this.

Rajinder Singh Kakar: Sir, this is a request you celebrate the golden jubilee with a bonus share and stock split. Thank you, sir.

Management: Yes, we will definitely convey the investor's feelings.

Moderator: Thank you. The next question is from the lines of Maanvardhan Baid from Laurel Advisory Services. Please go ahead.

Maanvardhan Baid: Sir, just wanted to understand, sir for the benefits of coal, how should we sort of see it in because in the number as a whole, again we are doing our calculation or something because it is not stated as a separate line item or a separate vertical, so just wanted to understand how should we see this portion and sort of X of coal what would the numbers look like and obviously with coal we have what it is like, just wanted to understand that?

Management: As you see, part of the coal is captively consumed in meeting our own requirement and part of the coal is sold in the market because this is a commercial mine, yes definitely first priority is given to our captive requirement, then whatever surplus left out that is sold off and there has been a huge volatility in the prices of coal. There has been drastic movement in the prices, therefore it is very difficult to quantify this specifically, in view of the volatility that how much coal will contribute, but yes results are reflective and in the initial when we acquired, we had estimated definitely EBITDA of Rs. 100 crores plus from coal and it has been better than that, but giving specific figures for coal separately will be very difficult because coal is an integrated part of our operation and our purpose of acquiring the coal mine was to basically support our raw material requirement or getting assured supply of the coal. That was the objective, therefore it will be very difficult to specify any figure for the coal separately, but yes what we had estimated, the performance from the coal mines has been better than that.

Maanvardhan Baid: Sir, this Rs. 100 crores EBITDA figure is an annual figure?

Management: Yes annual, more than that. This is what we had estimated, but because the coal market has been better than what we had estimated, so yes it has definitely contributed better than that.

Maanvardhan Baid: So, absolutely, sir back-of-the-envelope calculation also kind of indicate towards that as to roughly with the pricing, so the portion of coal that we have commercially sold at least on that part, there would be clarity as to in terms of the pricing that it has been sold at etc., that would be slightly simpler, won't it?

Management: So, far as quantum is concerned in the third quarter, we have sold about 1,40,000 tons of coal in the market and with an average realization of about Rs. 4,600 a ton.

Moderator: Thank you. The next question is from the lines of Jatin Damania from Kotak Securities. Please go ahead.

- Jatin Damania:** Sir, just wanted to understand the trend in the ferro alloys, as you rightly pointed out that manganese ore prices have started moving up, but we haven't seen any significant increase in the ferro alloys prices, so given the trend currently, can one assume that the ferro alloys business will be under pressure for another couple of quarters or more than that?
- Manish Sarda:** I think you have to understand that the ferro alloys industries have a good run and at that point of time, the manganese ore prices and the coke prices are all stable. Right now, what we are seeing is that the coke price and the manganese ore prices have moved up and ferro alloys prices have remained stable. I think there will be a bit of pressure for another quarter or so, but then if the prices of electricity move up, then we will be seeing a lot of outages in terms of states like Andhra where we are expecting a price rise of 80 paisa per unit, so then we will see a sudden spurt that will happen in terms of pricing of smaller plants, we will have to shut down.
- Jatin Damania:** If you look at the last quarter numbers on our ferro alloys business, we reported EBIT loss? So, just wanted to assume that suppose tomorrow Andhra increased the power tariff by 80 paisa and ferro alloys prices move up from 77,000 to 80,000, let us assume on a hypothetical number, sir what realization one can assume that the operational will become a profitable or a breakeven?
- Management:** We totally enjoy the benefits of captive power plant and with the increase of this, most of the plants, almost all the plants in the Andhra region they are connected to the grid and they don't have their own captive power plant, so directly this Rs. 3,000-Rs. 4,000 per ton increase and the realized rate will add up to our profits.
- Jatin Damania:** It is safe to assume at 80,000 level of realization, you will be profitable at the EBIT level? Can we put it like this?
- Management:** Yes, but again these are all subject to the changes in the price of coal, coke and also the manganese ore, so profitability cannot be linked with the realization price. It is basically relative to the pricing trends and inventory gains, inventory losses. What happens in the rising market you have the inventory gains and inventory losses in falling market. you have the inventory gains or inventory losses also for the time being of may be 2 months or 3 months you have the benefit or loss of the inventories also. What happens if the market is falling or market is rising, so that also affects them. It is not the level of the realization, it is basically relative demand supply that makes the prices move up, but so far as we are concerned, our Raipur operations are profitable even at the present level of operations, . In case of our Vishakhapatnam operations because they are dependent on the imported coal to a large extent, yes their margins are under pressure at the present level of pricing, but once the price moves up from here, say by Re. 1 unit, then that will also be in the profit. In terms, you cannot say that this price level, the operations will be profitable or at this price level, this will not be profitable.
- Jatin Damania:** No, I asked because Manishji initially stated in his opening remarks that the manganese ore prices have gone up by almost 8 to 12% and ferro alloys prices have remained range bound in a

range of 72,000 to 77,000, so that was on the back of that calculation, I was just wondering that if the costing has gone up and the ferro alloys price has not gone up, what could be the overall drive on our business? That was precisely the question.

Management: In between, there was a correction in the prices of the manganese ore also, though they are recovering because as we stated in January the prices of ferro alloys has also moved up beyond 80,000 plus. Then that is the reflection of increase in the selling price has reflected on the manganese ore prices.

Moderator: Thank you. The next question is from Nikhil Chandak from JM Family Office. Please go ahead.

Nikhil Chandak: I have 2 questions, one is, given the way other players in the industry are also expanding or announcing capacities on the pellet side, do you think in the next 2 years we are in a very serious over capacity kind of a situation and that would impact the realizations quite significantly because everybody is kind of going very aggressive on the pellets expansion? And the second question was from a say next 2 to 3 year perspective out of all your business segments where is it that you are putting behind more CAPEX because what I see from the presentation is there is very little CAPEX which is going into our increasing capacities in any of these business segments which are there, some marginal is there, but in the wire rods and HB wire segment, but not very significant, so I am just thinking where will the growth come from year on over the next 2 to 3 years?

Management: So, I will tell you right now, people are expanding on the pellet market, but we are not expanding right now immediately, but we are comfortable with our pellet production and we are utilizing it in-house, so we get more value addition to that. Apart from that, we are looking at mining activities where we are planning to invest and improve efficiencies in terms of our raw material security and overall we are looking at expanding in Vizag also and few projects we have already lined up there. So, we will be having expansions, we are looking at opportunities in NCLTs, there are couple of plans which we are looking at. In one of the plants, we are in the bidding stage, so we are equally looking at all growth opportunities which are there and we will expand not just for the sake of expansion, but we will expand it on a very strategic manner which gives us.

Nikhil Chandak: What do you see of big capacity so to say a lot of capacity coming on the pellet side in the next couple of years like an overcapacity kind of a scenario?

Management: As it is, we have always been overcapacity in the pellet market because what people have seen that exporting iron ore will not be a possibility in the future, so what is happening is basically there are low-grade fines which needs to be beneficiated and after beneficiation you need to make it into pellet. Only then, you will be able to export something out of the country, otherwise iron ore exports on its own is not going to be a future of the country. So, most of the pellet capacity which is coming in is also from an export perspective because people have lot of fine

lying in their mines. We need to beneficiate that. They can't really takeaway the product and export it straight away. So, expansion has always been there in this industry; the overcapacity has always been there in the industry.

Nikhil Chandak: It is not an alarming situation to us?

Management: No, according to us it is not an alarming situation because at the same time if you have seen that the infrastructure growth is also there, steel will also be growing, steel will also be expanding, so pellet demand in India also will be there with the steel growing.

Nikhil Chandak: And do you have a number which you can share on the amount of CAPEX over the next couple of years which is frozen and as per the plan like leaving aside the opportunities which may come up, but what has been decided? Any amount you can share?

Management: As far as CAPEXs are concerned, one is undergoing CAPEXs on the hydropower project of Rs. 250 crores, about Rs. 100 crores we will be spending during the current year, may be Rs. 100 crores plus we will be spending in the next financial year. Next is the coal mines, there we already have a plan of over Rs. 300 crores plus CAPEX on the second coal mine. In addition to that, there are marginal CAPEXs on the capacity improvement as already stated in our address also. In steel plant, we have achieved almost the highest ever production in all the segments whether it is pellet, whether it is billet or wire rod or HB wire. So, we have been investing and did the debottlenecking in all those things, but these are all smaller routine CAPEXs. In addition to that major CAPEX what we are thinking of is will be going in the iron ore and coal mine acquisitions for which we are constantly evaluating opportunities and few of the mines have come up for bidding and we are participating in those mines and in case of coal mines also, we already submitted a few of our bids and we expect a decision to come up soon. So, mining is one area and in addition to that we have 2-3 hydropower projects lined up which are in different stages of approvals. So, there is no firming up CAPEX which is been committed as of now except maybe 600 crore, 700 crores in next two to three years. Beyond that all are in different stages of planning and all those things.

Moderator: Thank you. The next question is from the line of Maanvardhan Baid from Laurel Advisory Services. Please go ahead.

Maanvardhan Baid: On the hydro front how has the monsoon been now that we have seen the complete play out and has it been as per expectation?

Management: So far as Sikkim is concerned we have 113-megawatt project. There monsoon was more or less in line with our expectation, but so far as Chhattisgarh project of 25 megawatt is concerned it suffered a lot on account of the shortfall in the monsoon and particularly in that particular catchment area. So, as against the 100 million plus unit last year we expect this year to generate about 80 million units from that particular project. So, there was a monsoon deficit in this particular project.

- Maanvardhan Baid:** And also, on the Sikkim front I think the power tariff has not yet been frozen?
- Management:** It is still under examination by the regulator and that process of evaluation is going on. It is a little long drawn process to approve the project cost and all those things, it takes a little long time to go into the whole detailing of the expenses incurred during the last more than 10 years. So, it takes its own time to finalize or freeze the figure.
- Maanvardhan Baid:** So, presently how is this happening in the sense what we are generating how are we billing and there is the cash flow steady or is it will that take place only after this tariff is confirmed?
- Management:** No, cash flow is steady. Presently the regulator has given an approval of the provisional tariff based on 85% of the actual cost incurred subject to verification. So, based on that they have given a provisional tariff and we are billing on the provisional tariff and we are getting funds regularly on time based on the provisional billing.
- Maanvardhan Baid:** And our expectation of the final tariff will be higher than the provisional tariff so once that is finalized then this might be a lumpy income that we show in that quarter or that fiscal year?
- Management:** Yes, because they have taken by thumb rule 85%, it should improve from here and that will be lump sum amount we will get after finalization of the tariff is what we expect.
- Maanvardhan Baid:** And tentatively any expectation on when this finalization will happen.
- Management:** I think during the next financial year somewhere maybe 6 months to 9 months we should be able to close it, but at the best before the end of the next financial year we will have the final tariff. This is what we expect.
- Moderator:** Thank you. The next question is from the line of Madhukar from Amax Network PLC. Please go ahead.
- Madhukar:** My question at this time is that in a coal mine environment clearance you take this much time. Hydro power, to get the tariff approved, this much time you require. This is double engine government or is it half engine government?
- Management:** See in the government the procedures are there and the process which are there the government itself assumes when coal mine gets allotted then government itself gives us 51 months' time to start. So, as per normal schedule also because the process involved is so cumbersome in the country. So, it takes its own time and this is an accepted timeframe from the government itself that they are giving us 51 months' time to start from the allotment to get all the approvals and start the mines. So, it is a standard time which it takes to get all these approvals there is a cumbersome process involved in this.
- Madhukar:** And we do not propose to apply to double engine government to reduce this cumbersome time?

- Management:** Sir some improvements have been made, despite that there have been cases the process which is there it will be there, to follow the process it takes time.
- Madhukar:** As you know wire rod capacity to go to 1 lakh to 2 lakh you have to take the permission?
- Management:** Yes.
- Madhukar:** So to increase production you have to get permission?
- Management:** Yes definitely you need permission. You cannot produce beyond the approved capacity even in the case of pellet we felt that that 6 lakh to 8 lakh ton it took its own time. We cannot produce beyond the approved limit.
- Madhukar:** This is internal manufacturing?
- Management:** Whatever permitted capacity to go beyond that, for that you have to follow the process. Although it will not take much time. We will get the permission very soon in case of wire rod.
- Madhukar:** Kinetic engineering in 60s, 70s and 80s to get the permission 25,000 to make Luna and he made 1.25 Luna has made. So, from Delhi he got the notice that we will put you in jail so then he said put me in jail then nobody came later and if you also will extent that then I do not think that anyone will have guts to punish you for increasing production?
- Management:** We have to have a respect for the law of the land.
- Management:** We are a law-abiding corporate citizen so there is no question of entertaining of any of this?
- Madhukar:** We should remain law abiding, but the law should be there.
- Management:** Sir they have fast tracked all the approval procedure for all the coal clearances also. The meeting which was held in 6 months and now every month they are keeping that meeting to expedite all the issues regarding coal mines. So, definitely whosoever the coal mines who have gone for bidding you will see that in fast traction decisions are happening and they are getting the approvals.
- Madhukar:** If you push the double engine government then you will get a solution and you have to put that name of bureaucrat who has stopped this do not be afraid. I am a senior citizen and hence I am advising overall.
- Moderator:** Thank you. The next question is from the line of Rajesh Bhandari Individual Investor. Please go ahead.

- Rajesh Bhandari:** Sir I have one request from the next meeting advise the moderator the person who has come for the question he has been asking lot of nonsense questions such questions should not be entertained at all this is my request?
- Management:** Okay.
- Rajesh Bhandari:** And before that one investor has requested that this is a Golden Jubilee Year so bonus and stock split and this is a request from my side kindly go through that though I am telling from many days
- Management:** Definitely.
- Rajesh Bhandari:** Sir you have said that NCLT plant which is there you are purchasing that, these are related to ferro alloys or these are related to other steel activity?
- Management:** Sir we have participated in that there are many people in bidding and it is very difficult.
- Rajesh Bhandari:** Which type of plants you have participated?
- Management:** The participation which we participated is in thermal power plant not in the steel.
- Rajesh Bhandari:** Sir in the Andhra price hike will be there of tariff because of that some plant will be closed and rate will be increased of ferro alloy, so is it going to affect the Andhra or in All India basis it will get impacted?
- Management:** No, in Andhra also there is a very big capacity and in the other states we have brought the imported coal mix which is increasing the tariff in the other states because their cost of coal has gone up. Even in Chhattisgarh also in variable cost adjustment Rs. 1.10 they are charging extra.
- Rajesh Bhandari:** So, for us it will be a benefit 100%?
- Management:** Yes because we have captive power.
- Rajesh Bhandari:** And sir the steel demand and price thing they are both going to increase?
- Management:** Overall there has been improvement in the steel and export has also increased and many things has happened.
- Rajesh Bhandari:** In Europe, the thing is very quiet and in China also they are saying opening up, but it is not happening so because of that will there be any difference to us?
- Management:** We are part of the industry whatever upward or downward move its effect will be there because we are ultimately part of that system.

- Rajesh Bhandari:** For you inquiries get started and like Europe is there the demand has started coming?
- Management:** We are not exporting steel we sale the whole in the domestic market, but yes in ferro alloys we do export.
- Rajesh Bhandari:** In that demand has picked up or not?
- Management:** Demand is picking up slowly, but we are expecting more demand in the next quarter once Europe opens up and steel production goes up because they are basically now preparing for the next quarter to start their idle steel plants in the idle capacities which are lined there.
- Rajesh Bhandari:** Means Europe has started opening up in the steel manufacturing capacity?
- Management:** Not manufacturing their plants were idle they were not running in full capacity, but next quarter onwards we are hearing that they are going to start up in full capacity. So, once steel production goes out there in Europe we will be able to export a little bit because right now there is a contraction in demand.
- Rajesh Bhandari:** Ferro alloy requirement will be more?
- Management:** Yes.
- Rajesh Bhandari:** And what about China sir?
- Management:** China we are still not sure it is very difficult proposition to talk about China because one day they say they are opening up, next day they are saying something else. So it is a very difficult proposition to comment on China right now, but China also sooner or later will be opening up because COVID cases have gone down there that is what we understand and the city and the borders which were closed has now been opened up. So, slowly and steadily I think the China thing will also pick up because you are seeing exports of pellets also happening now in China and we are seeing some steel imports also being done in China. So, we are looking at all the possibilities, but next quarter hopefully should be better in terms of demand I am not sure what the pricing exactly would be because it is very difficult because it is a very fluid situation because if the war spreads again then again we will see the energy prices and the blockages for gases.
- Rajesh Bhandari:** And the Vizag production which is there that is only ferro alloys?
- Management:** Yes it is purely ferro alloys yes with our own captive power plant.
- Rajesh Bhandari:** Now what is the total ferro alloy capacity 147 MVA meaning what tonnage?

- Management:** So, it also depends upon what products you are producing. If the ferro manganese production goes up or if we are producing silicomanganese. Roughly you can calculate we will be having installed capacity of 225,000 tons annually.
- Rajesh Bhandari:** Under 147 MVA?
- Management:** Yes both plants put together Raipur and Vizag.
- Rajesh Bhandari:** Steel prices have started looking up?
- Management:** Steel is looking good.
- Rajesh Bhandari:** What items are there HB wire, wire and all that?
- Management:** Steel demand is also looking good because government infrastructure spending will be there and we are expecting steel markets.
- Rajesh Bhandari:** Your market is domestic other than ferro alloy so here the prices have started looking up?
- Management:** On what.
- Rajesh Bhandari:** On the HB wire, wire and all these points?
- Management:** That is what I am trying to tell you that the steel demand looks to be buoyant and the steel pricing also looks to be pretty stable at the moment.
- Rajesh Bhandari:** Because ferro alloy it is pretty down this time actually?
- Management:** Ferro alloy industries as you know this is a commodity business so it is cyclical.
- Rajesh Bhandari:** Because our standalone profits was better than the consolidated profit?
- Management:** Correct sir, but you know that commodity prices are like this. We have also enjoyed a very good period of ferro alloy last year that was also outstanding. So, that is also once in a blue moon. So, cyclical products will be back in some time.
- Rajesh Bhandari:** Sir what happens like we have a hope from Sarda that is there and if something here or there happens people say how does this happen that is the thing. Now ferro alloy if they will make any profit people will say it has made so much profit, but not for Sarda. In Sarda they say how less is there that way because of the expectation. Thank you and all the best and take note of the bonus and stock split.
- Moderator:** Thank you. I now hand the conference over to the management for closing remarks.

Management: Thank you. We thank all the stakeholders for their whole hearted support. The company has been able to report good performance on the strength of backward integration and diversification into the Hydro Power sector which will continue to be the core strength of the company. We hope we have been able to address most of your questions. The presentation made in the discussions held in the conference will help the investors to evaluate performance in a much better way. Please feel free to reach out, if you have any further questions. Look forward to connect again in the next concall. Thank you.

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

Note: In the above transcript, some part of discussion was translated from Hindi to English for the Participants namely, Mr Madhukar and Mr Rajesh Bhandari.