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The Listing Department National Stock Exchange of India Ltd. Exchange Plaza Plot No.C/1, G. Block Bandra-Kurla Complex Bandra (E) Mumbai-400051 Stock Symbol & Series : IMFA, EQ	The Deputy General Manager (Corporate Services) BSE Limited Floor 25, P.J. Towers Dalal Street , Fort Mumbai-400001 Stock Code : 533047
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Sub : Earnings Call Transcripts


Dear Sir / Madam,

Pursuant to Regulation 46(2)(oa) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, the transcript of the audio call recording of the Company's Investor / Analyst Call held on 27th July, 2023 on the Unaudited Standalone and Consolidated Financial Results of the Company for the quarter ended 30th June, 2023 is attached herewith.

You are requested to take the same on record.

Thanking you

Yours faithfully
For INDIAN METALS & FERRO ALLOYS LTD


(PREM KHANDELWAL)
CFO & COMPANY SECRETARY
Membership No: F3526

Encl : As above.



**“Indian Metals & Ferro Alloys Limited Q1 FY24
Earnings Conference Call”**

July 27, 2023



MANAGEMENT: **MR. PREM KHANDELWAL – CHIEF FINANCIAL OFFICER AND COMPANY SECRETARY**
MR. BIJAYANANDA MOHAPATRA – CHIEF OPERATING OFFICER
MR. DEEPAK KUMAR MOHANTY – HEAD, FERRO ALLOYS BUSINESS UNIT
MR. BINOY AGARWALLA – HEAD, POWER BUSINESS UNIT
MR. SANDEEP B. NARADE – HEAD, MINING BUSINESS UNIT

MODERATOR: **MR. ARYAN PREM RANA – VERITAS REPUTATION PR PRIVATE LIMITED**



*Indian Metals & Ferro Alloys Limited
July 27, 2023*

Moderator: Ladies and gentlemen, good day and welcome to the earnings conference call of Indian Metals & Ferro Alloys Limited arranged by Veritas Reputation.

At this moment, all participants' lines are in the listen-only mode. Later, we will conduct a question & answer session. At that time, if you have a question, please press "*" and "1" on your touch-tone keypad. Please note that this conference is being recorded.

I hand the conference over to Mr. Aryan Rana from Veritas Reputation. Over to you, sir.

Aryan Prem Rana: Good morning ladies and gentlemen. Thank you for joining us today on this Earnings Conference Call of IMFA (Indian Metals & Ferro Alloys Limited). I am Aryan Rana from Veritas and I am delighted to be your host for this session today. We have some exciting updates to share with you as we present and discuss the financial results for the quarter ended 30th June, 2023. I am pleased to inform you that IMFA's market valuation has reached a significant milestone nearing Rs. 2,000 crores up from Rs. 1,500 crores since our last earnings call in May this year. This accomplishment underscores IMFA's position as India's leading fully integrated manufacturer of quality ferrochrome in the metals and mining industry. We have already shared the results with you and they are accessible on our company website and the stock exchanges.

However, I would like to remind you that our discussion may include forward-looking statements that are subject to known or unknown risks, uncertainties, and other factors.

To provide you a comprehensive overview of our Q1 performance and address your queries, we are privileged to have esteemed members of our management team present today. Let me welcome Mr. Prem Khandelwal – CFO & Company Secretary; Mr. Bijayananda Mohapatra – Chief Operating Officer; Mr. Deepak Mohanty – Head, Ferro Alloys Business Unit; Mr. Binoy Agarwalla – Head, Power Business Unit; and Mr. Sandeep B. Narade – Head, Mining Business Unit.

Now we will begin with a brief summary of our Q1 performance for the quarter ended 30th June 2023, following which we'll open the floor for a Q&A session where you will have the opportunity to interact directly with our management team.

Without further ado, I now hand over the call to Mr. Prem Khandelwal, our CFO and Company Secretary, to take us through the financial highlights. Over to you, sir.

Prem Khandelwal: Good morning ladies and gentlemen. Financial results as expected for Q1 is much better than Q4 of last year with EBITDA of Rs. 183 crores compared to Rs. 143 crores in the Q4 of last year and PAT of Rs. 110 crores compared to Rs. 64 crores. Production and sales numbers; Production for the quarter Q1 FY24 was 66,261 tonnes as compared to 61,200 tonnes in the previous quarter, i.e., Q4 of FY23. Sales is around 64,695 tonnes compared to 57,362 tonnes. And prime realization was Rs. 1,15,825 per tonne as compared to Rs. 1,16,558 per tonne. EBITDA cost for

the quarter was Rs. 81,044 as compared to Rs. 86,686. With that, we can now start the Q&A session to address your queries.

Moderator: Ladies and gentlemen, we will now begin the question & answer session. We will wait for a moment while the question queue assembles.

The first question is from the line of Shubham Agarwal from Aequitas Investments. Please go ahead.

Shubham Agarwal: This is Shubham from Aequitas. Sir, my first question is related to the realization. Since June, we have seen some decrease in realization of ferrochrome. How is it currently trending and how is it expected for the next 3 to 6 months?

Deepak Kumar Mohanty: Actually, the present market scenario is subdued due to the demand issue and it has already gone down. Compared to the last quarter, it will be 5 to 6 cents down certainly. Already it is below \$1. But we can't predict beyond this quarter because a lot of variability is there in the market. Basically, how it will pan out in China, it all depends on that, they being the major producer and consumer. But considering the cost pressure on the producing side production and all, things are going to look up. And as you must be aware, the Chinese government has already started taking a lot of steps to revive the demand, particularly interest rate lowering, lending rate lowering, and easing out mortgage rules for the people to buy houses and all. With all those things, probably next quarter will go but nothing can be predicted.

Shubham Agarwal: But for the next quarter, we can expect a slight decrease in average realization compared to this quarter?

Deepak Kumar Mohanty: Absolutely.

Prem Khandelwal: We can expect a little low realization and the cost is also going down.

Deepak Kumar Mohanty: Yes.

Shubham Agarwal: My next question was on cost only. You mentioned that Rs. 81,000 was the cost per tonne, almost.

Prem Khandelwal: Yes, EBITDA cost.

Shubham Agarwal: How much can we expect this to decline?

Prem Khandelwal: Difficult to predict, but I think it can go down by another Rs. 2,000 to Rs. 3,000 a tonne because the coke cost is coming down. Recently we have procured coke at \$316 which used to be \$480 earlier. Coke cost is coming down. Coal cost has already come down quite a lot. If this price

realization goes down a little bit, the cost will also come down. Maybe we would be able to maintain the margins.

Shubham Agarwal: When it comes to cost, both coal and coke costs, as you rightly mentioned, are coming down. But now, given that it has stabilized to some extent, once we have consumed all our inventory of the last 3-4 months, what is the average cost per tonne that we can stabilize at?

Prem Khandelwal: You need to understand the coke inventory whatever we are buying, that will be used, say, after 3 months or 6 months. As of now, in the current quarter, we are using high cost inventory of \$475, which will gradually go down to, say, \$400, then \$350, then \$300. So, very difficult to pinpoint the cost as such – total cost, EBITDA cost, but gradually it will come down.

Shubham Agarwal: I understand that. What I am trying to understand is, given that coke cost is close to \$300 and coal cost has also gone down substantially, if we take the current prices of coke and coal, what should be our cost of production? I am asking hypothetically.

Prem Khandelwal: We need to work out because if we take \$300.... Right now, the Rs. 81,000 cost whatever mentioned, it is taking care of \$475 coke. If you take \$320, that kind of saving would be there. We can't predict the reduction in coal cost, but coke cost at which we can predict.

Shubham Agarwal: So, it can go down as low as Rs. 70,000 to Rs. 75,000 per tonne, right? In the current prices?

Prem Khandelwal: Maybe around Rs. 75,000, not below that. If you take coke cost \$120, that would be roughly what? Rs. 9,000 a tonne and we use half a tonne per tonne of ferrochrome. So, Rs. 5,000 reduction can be there.

Shubham Agarwal: Lastly, sir, on the money that we are expected to receive on the Utkal coal, what is the current status on that?

Prem Khandelwal: Current status is that they had issued a notice to secured creditors and 30 days time was there which expired on 19th of July. And they had asked for valuation report from IDCO which has already been given to them. Now I think it's a matter of time. Can't predict the exact timeline, but it should come sooner now.

Shubham Agarwal: Recently, there was an article which said that a lot of the coal recently which has been auctioned, the companies are finding it difficult to raise financing for those blocks. Is this a reason why things are getting delayed for us?

Prem Khandelwal: No, that cannot be a reason for this because this is being done by nominated authority at Government of India, Ministry of Coal level. It has nothing to do with the company's performance or company's handling of the block.

- Shubham Agarwal:** And lastly, my question was, recently FACOR came out with an announcement that from 15th July, they will stop production. How does this help us in realization or supply demand scenario?
- Deepak Kumar Mohanty:** No, I don't think it will affect because they mostly produce very less quantity and sell in domestic while our major focus is on export. Only thing is demand has also come down in India which has to go up, with that only. The domestic prices also have come down. So, that will more or less increase. But the main thing is China. Unless China revives, sentiments cannot go up and prices moving up will be difficult.
- Moderator:** The next question is from the line of Mr. Saket Kapoor from Kapoor & Company. Please go ahead.
- Saket Kapoor:** Sir, if you could mention, what was our coke consumption rate for Q4? i.e., the March quarter and Q1, and the likely for Q2?
- Prem Khandelwal:** Coke consumption cost or the buying price you're asking, Saket?
- Saket Kapoor:** Consumption cost.
- Prem Khandelwal:** Consumption cost for Q4 was Rs. 47,800 and for Q1 it was Rs. 42,500.
- Saket Kapoor:** And what is it likely for Q2?
- Deepak Kumar Mohanty:** It will be around Rs. 1,000 lower than the Q1.
- Saket Kapoor:** And what will be the coal math look like for Q1 versus Q2?
- Prem Khandelwal:** The coal cost you are talking about?
- Saket Kapoor:** Yes, sir, the coal cost.
- Prem Khandelwal:** Coal cost for Q1 was Rs. 2.80 as compared to Rs. 3.01 in Q4.
- Saket Kapoor:** And Q2, sir, what should be the trajectory?
- Prem Khandelwal:** It should be more or less the same.
- Saket Kapoor:** The coal we are using only for the electricity generation?
- Prem Khandelwal:** Yes.
- Saket Kapoor:** So, this Rs. 2.80 would be the cost for Q2 also?



- Prem Khandelwal:** More or less likely to be the same.
- Saket Kapoor:** And for Q2, sir, how are the deliverables likely? And secondly, sir, for Posco, now things are normal as has been the case with Q1. Whatever the committed quantity shipment goes to them on a quarter basis, I think 7,000 tonnes, that is what it is being maintained at now?
- Deepak Kumar Mohanty:** Yes, it is maintained at 21,000 level for Q3 – this quarter, running quarter. We finalize on a quarterly basis. So, it has been finalized.
- Saket Kapoor:** Once again if you could give the sales mix between the contracted one and the spot sales that we do on a....
- Deepak Kumar Mohanty:** 65% is basically all long-term you can say, 35% is on spot basis.
- Saket Kapoor:** And for this quarter, sir, how much is the realization down from Q1 for the contracted price?
- Prem Khandelwal:** Saket, giving the number would be very difficult at the moment because we will come to know after the end of the quarter only. But the overall trend seems to be a little moderate than Q1. So is the cost also.
- Saket Kapoor:** EBITDA per tonne what you mentioned, sir, if you could repeat?
- Prem Khandelwal:** EBITDA per tonne Rs. 81,044.
- Saket Kapoor:** And this is what the trajectory is likely for this quarter or is it difficult to tell at this point of time?
- Prem Khandelwal:** Yes, it is difficult to tell at this point of time.
- Saket Kapoor:** In June and July, has this only been the average or the trending is lower?
- Prem Khandelwal:** We are giving you the quarterly figure. This is for Q1, Rs. 81,044.
- Moderator:** The next question is from the line of Mr. Aashav Patel from Molecule Ventures PMS. Please go ahead.
- Aashav Patel:** My question is, sir, as you explained in detail that the coal cost is likely expected to be similar to the Q1 for Q2 as well. And similarly, coking coal is expected to be down by only Rs. 1,000 per tonne. Then, how do you expect the operating cost to come down by around Rs. 3,000 per tonne?
- Prem Khandelwal:** For Q2, I have not mentioned Rs. 3,000 a tonne. This is for the entire year we are predicting the coke cost by Rs. 5,000 a tonne, not for the Q2 or Q3.



- Aashav Patel:** And what would be our blended coking coal cost on our inventories?
- Deepak Kumar Mohanty:** In the last quarter, it was around \$455 to \$460 because we use some quantity of other coke and other things and which will go down by as we have mentioned, it will be something like \$440. It is not going to come down drastically because we have booked; so, that will come, and the effect of that comes after 2 quarters only. Because what we have booked now, that will come towards the middle of December because by September end, it will be dispatched from Columbia, then it will be voyage time, then clearance and movement and the actual usage if you say, it will be 2 quarters away from now.
- Aashav Patel:** Sir, even assuming that our operating cost comes down a bit for Q2, given that there has been volatility in the realization for ferrochrome, can we expect on absolute EBITDA terms Q2 to be somewhat softer compared to Q1 even if the margins remain the same?
- Prem Khandelwal:** It could be a little softer than Q2. But we are repeating this point again and again that in our company, one should not look at the quarterly basis. It's a long-term play. So, you need to see on the yearly and 3-year and 5-year basis because quarterly is very difficult. We got so many fluctuations. The price fluctuation is so much, it is very difficult to predict anything for a quarter.
- Aashav Patel:** As you mentioned that nominated authority has already given the valuation report, can you please mention what is the valuation decided by the independent authority regarding our coal block regarding Utkal C?
- Prem Khandelwal:** No, we don't have the number, but we understand that whatever we have invested, we are going to get back the money. There may not be any write-off.
- Aashav Patel:** And sir, what would be our power cost for Q1?
- Prem Khandelwal:** Variable cost for Q1 is Rs. 4.
- Aashav Patel:** And versus Q4?
- Prem Khandelwal:** Q4 it was Rs. 4.26.
- Aashav Patel:** And it is expected to remain Rs. 4 only even in Q2, right?
- Binoy Agarwalla:** In Q2, the variable cost may go up by 15 paise just because we have scheduled some planned maintenance in Q2.
- Aashav Patel:** Sir, given the global scenario of ferrochrome prices, given that Chinese chrome ore inventory of UG2 are at record high over the last 7-8 years and given that South Africa may also face a challenge because of the ongoing winter season, how do you expect the ferrochrome realizations

to pan out? I understand in the near future, the realizations are down by around Rs. 15,000 per tonne. But how do you expect the trajectory going forward?

Deepak Kumar Mohanty: First of all, the Chinese inventory of UG2 chrome ore is not record high. It is around 2 million tonnes which is record low, mainly because of the volatility in the market and demand pickup is not there. But once it pans out because of the Chinese government intervention and also as you know Europe already it is summer vacation and all and a lot of people because of the demand and supply not in tandem, some steel mills have taken maintenance schedules and other things, we expect first the demand and supply need to be in tandem. Then only, the price movement will up because this is not a sustainable price.

Aashav Patel: Do you think that at current realization, given the ore cost, the players which are not integrated globally, they might be just making a single digit margin much lower than the usual?

Deepak Kumar Mohanty: Yes, absolutely correct. And even in the domestic if you look at the last OMC auction, there the prices are rising by Rs. 2,000 to Rs. 3,000 in different categories. So, chrome ore price in domestic OMC auction also has gone up. So, this is putting cost pressure for everybody. Because, we are integrated with a little leeway and there is the advantage. But otherwise, the present price is not sustainable for a non-integrated producer.

Aashav Patel: And given the low ore inventories in China, any price rise is expected to sustain? Is it correct understanding – ferrochrome price rises are expected to be structurally sustaining?

Deepak Kumar Mohanty: It is always expected and government interventions are going on. As I was telling, their interest rates have been decreased twice and the mortgage rules have been slackened so that people will go for investment in housing. All those things are going on and further steps also the Chinese government is working out. With all those things, I see a positive scenario ahead, but it may take a little time.

Moderator: The next question is from the line of Mr. Kaushal Kedia from Wallfort PMS. Please go ahead.

Kaushal Kedia: Sir, just wanted to understand, our 90% is exports, right?

Deepak Kumar Mohanty: Yes.

Kaushal Kedia: And 10% is domestic?

Prem Khandelwal: Correct.

Kaushal Kedia: I just wanted to get a sense of how much are we supplying to Jindal Stainless approximately, if possible to give that breakup?

Deepak Kumar Mohanty: Jindal stainless we are not supplying anything, to be very frank. They used to take quite a bit quantity earlier. But as you know, they also have ferrochrome production capability and they are buying and they are also doing some tolling through Tatas and other producers. So, they don't require ferrochrome. They are not buying from us any material at the moment. Because, mostly they were taking for Hisar production where they have reduced the capacity; not doing, but rather they are getting billets and other things and then basically other grades they are making. So, they don't require at the moment. We are not supplying any quantity to them at this point of time.

Kaushal Kedia: Sir, I just wanted to get a sense that can the share of domestic go up in the near future with the export volume staying at the same levels?

Deepak Kumar Mohanty: Because already we are tied up, as we are telling 65% and other 35% is there. So, wherever it will be viable, we go for that. Unless our additional capacity comes up, which is ahead in '25, till then, we don't see much unless the market scenario, that 35% what will play depending upon the market scenario.

Kaushal Kedia: No, I didn't understand, sorry. 35% of what?

Deepak Kumar Mohanty: As I have mentioned earlier, our contracted or long-term supplies are almost 65%. And balance 35%, we sell on spot basis in which something in Europe, something China, something other places. There is no more scope at this juncture.

Kaushal Kedia: The capacity ramp up will happen by 2025. Most of the capacity will be used for domestic. Is that what you are saying?

Prem Khandelwal: No, that is not what he is saying. We are supplying around 10% in the Indian market till now. Going forward also, I think it is going to be more or less the same.

Kaushal Kedia: Because of the Indian infrastructure push and as you can see, there is demand for massive stainless capacities. Even Jindal Stainless declared the results yesterday; their volumes are up quite a bit. I am just trying to get a sense about how much we can contribute or how much will we benefit from this infrastructure demand?

Prem Khandelwal: In the Indian market, I don't think there is any expansion in the stainless steel sector. Unless the stainless steel as a sector expands, we cannot cater to the Indian market here because the consumption of ferrochrome is in stainless steel. In India, I don't think in the near future, any expansion is going to happen.

Kaushal Kedia: But if you see, Jindal Stainless volumes are going up. Yesterday in their results year on year if you see, there is an increase.

Prem Khandelwal: I don't know about that, but their capacity utilization may have gone up. But are they going for any expansion? I don't know.



- Kaushal Kedia:** So, you are not seeing any major tailwinds from the domestic? No increased inquiries or something like that?
- Prem Khandelwal:** No.
- Moderator:** Our next question is from the line of Rahil Shah from Crown Capital. Please go ahead.
- Rahil Shah:** If I heard you correctly, then you said the domestic demand is quite subdued right now. Correct? You are facing some headwinds over there.
- Prem Khandelwal:** Yes.
- Rahil Shah:** You also said quarter on quarter, it is difficult to forecast anything. But then on a yearly basis, do you think the exports which is your majority of the business, that will be more than sufficient to capture a good growth for the year? Do you have any targets and expectations of what will be your revenue and margins at the end of FY24? If you can help me with that?
- Prem Khandelwal:** FY24 is more or less likely to remain the same as FY23 with top line EBITDA and PAT more or less likely to remain the same.
- Rahil Shah:** What's the reason behind this? Because if the exports is doing well, then is it not expected to grow further?
- Prem Khandelwal:** The price realization is coming down, so is the cost. So, we are likely to maintain the margins. But if the price goes up, then obviously the margins will improve further and the top line and bottom line both will improve. But it all depends. It is very difficult to predict anything at the moment.
- Rahil Shah:** Because of the fluctuations?
- Prem Khandelwal:** Yes.
- Moderator:** The next question is from the line of Manish Sehgal, an individual investor. Please go ahead.
- Manish Sehgal:** Sir, I just wanted to understand we have raised about 1 lakh tonne extra chrome ore. What are we going to do with that? And secondly, is there a shipment which has slipped into the next quarter this time also because there was one which had slipped to this quarter and I see sales are lesser than production again. So, I just wanted to get those 2 inputs.
- Sandeep B. Narade:** In Q1, we have produced more from the Sukinda open cast. It was an opportunity because the monsoon was delayed by 8 to 10 days. So, we encashed that opportunity. But now, the monsoon has started and we may produce as per our budget this quarter. All that ore, because we are

producing limited capacity throughout the year, will be consumed in our ferrochrome plants as per the plan.

Deepak Kumar Mohanty: Second question was on what exactly?

Manish Sehgal: Shipment slipping into this quarter.

Deepak Kumar Mohanty: No, actually there is no shipment delay which has come to this quarter. It was not there. Minor, maybe 1,000 tonnes or something, but it is not major. This will be purely this quarter's production mostly.

Manish Sehgal: But if we see the last 2 quarters, the production is higher than the sales. So, we will have some inventory left over, right?

Deepak Kumar Mohanty: We have some inventory of different materials which we are liquidating also. But our inventory had gone down, particularly at Posco because they were not taking, so which was created and as per our commitment and contract, we need to maintain 1 month's stock at **Pohang**, in our warehouse. That is why at that point in time it was lower, but now it is all stabilized in the normal inventory level. We don't have additional which can be really exported out or sold off.

Manish Sehgal: So, we have some inventory sitting with us in the Posco warehouse.

Deepak Kumar Mohanty: Yes, which was taken out because of the Posco's force majeure thing. But again, we had to bring back that after they resumed from January second half.

Manish Sehgal: Is there an opportunity to sell chrome ore outside if we have the opportunity to raise more in case of what we raise more than what we need? Are we allowed to sell outside given we had options

Prem Khandelwal: Manish, normally we don't do that because we plan the raising as per our requirement only.

Manish Sehgal: If we are able to do 2.5 lakh again, then we have an opportunity to sell outside which is quite....

Prem Khandelwal: But this inventory, whatever extra inventory we have raised now, that will be used in the rainy season when there is not going to be any Ore production at that time. Overall for a year, we plan as per our requirement only.

Moderator: The next question is from the line of Sagar Gandhi from Future Generali India Life Insurance. Please go ahead.

Sagar Gandhi: Sir, if you can please repeat the Q1 and Q4 sales volume number and realization?



Prem Khandelwal: Q1 is 64,695 tonnes and Q4 is 57,362 tonnes. Prime realization for Q1 is Rs. 1,15,825. And for Q4, it was Rs. 1,16,558.

Moderator: The next question is from the line of Anant Mundra from Mytemple Capital. Please go ahead.

Anant Mundra: Sir, for the expansion project at Kalinganagar, how are we planning to meet the energy requirements for the plant? Would it be 100% hybrid renewable or will it be a mix of hybrid renewable and thermal?

Bijayananda Mohapatra: For Kalinganagar, actually we require around 56 to 58 megawatt. We are putting one gas plant there, which we will be using the CO gas generated from our furnace because we are going to set up a closed furnace. The rest, 50 megawatt, we will go for around 60% from hybrid and 40% from our thermal plant at Choudwar.

Anant Mundra: So, there will be no new thermal plant? It will be the existing....

Bijayananda Mohapatra: No, we are not going to set up any new thermal because the government is coming up with renewable energy obligation.

Moderator: The next question is from the line of Chirag Singhal from First Water Capital. Please go ahead.

Chirag Singhal: Sir, I actually wanted to understand on your coking coal cost. You mentioned that the consumption cost was around \$450. Now, when I look at the Australia-origin hard coking coal prices, I am just not able to figure out how our prices are so higher despite the correction has been very steep in the last couple of months. Even if I take the second half average price of FY23, the Australia-origin hard coking coal price was sub \$350. Is this the right comparison to look at the Australia hard coking coal price? Can you just throw some light on this?

Deepak Kumar Mohanty: First of all, this hard coking coal, what price you are telling \$350, yes, it is correct; \$350, \$330, and all those things, that is coking coal. But we are not using coking coal; we are using coke. When you convert coking coal to coke, then there is a 70% recovery all those things for which prices normally go up. And second thing, we don't buy coke or coal from Australia. We buy Colombian coke which is low cost which is our requirement, ultra low cost. That basically depending upon the demand scenario situation, prices move up and down. And the thing I was telling that what we finalize now normally is used after 2 quarters because what we finalize now, that comes after around 2 months later. Shipment happens from Colombia and it takes 45 to 50 days to arrive in India. Then discharging, moving to plant, and actual usage in that month. That way if you look at, it becomes 2 quarters. That is why I told, at the moment, our coke cost is high and it will go down in Q3 and Q4. Is it okay or anything you want to know

Chirag Singhal: I got your point. Are you contemplating any different strategies in order to reduce this 6 months lag that we are currently having? Or is this something that we will have to work with?

- Deepak Kumar Mohanty:** This is what we have to work with because domestically, we don't get ultra low cost coke which we require, and also Australia or China. That is why we need to work in this manner.
- Chirag Singhal:** And just to confirm on the cost per tonne based on the current prices, you mentioned that considering the current cost of coal and coke, the cost of production should be somewhere around Rs. 75,000 per tonne which was Rs. 81,000 per tonne. Is that correct?
- Prem Khandelwal:** No, that is for the year, I told. Maybe for the year it will come down.
- Chirag Singhal:** I am not talking about Q2. I am just talking about if you consider the current prices of both the thermal coal that you use in your power plant and the coke. If you take the current prices, then the cost should be around Rs. 75,000 per tonne. Is that right?
- Prem Khandelwal:** Yes.
- Chirag Singhal:** Just one last question on the volume side. Are we expecting similar volumes as FY23 even for the current fiscal?
- Deepak Kumar Mohanty:** Yes, we are targeting 250,000 levels. So, the same level or maybe a little more than the FY23. It will be around 250,000 tonnes in volume.
- Moderator:** The next question is from the line of Akhilesh Bagri, an individual investor. Please go ahead.
- Akhilesh Bagri:** Sir, I just want to confirm around which quarter will the new capacity come online, of which financial year?
- Bijayananda Mohapatra:** That will come one by one. We are targeting to 2025 April and another is around 2 to 3 months after stabilization of number 1.
- Akhilesh Bagri:** And will it be 50:50 thousand or how will it be?
- Bijayananda Mohapatra:** Yes, each capacity is 50,000. There will be 2 furnaces. Each furnace has a capacity of production of 50,000.
- Akhilesh Bagri:** And sir, what will be our strategy in terms of selling this? Is it also going to be like two-third contracted, one-third spot, or have you thought something on that?
- Bijayananda Mohapatra:** Mostly it will be in that line. However, we need to see how is the market and other things; where it will be. All those things are dynamic. Can be told at the right moment. But we have opportunities because of our performance in the international market with many companies – steel mills and all – directly. So, we have the opportunity to increase also the long-term quantity at different places.



- Akhilesh Bagri:** Basically, we don't see any challenge in placing this quantity once it comes online?
- Bijayananda Mohapatra:** Yes.
- Akhilesh Bagri:** And sir, what kind of peak debt would we perhaps have in order to fully fund this expansion? Because we will have a lot of cash flow generation in the next 2 years. Also, maybe money will come from Utkal. Just your thoughts on what might be the peak debt?
- Prem Khandelwal:** No, as of now, we are planning all from internal accruals only. We are not planning to raise any debt.
- Akhilesh Bagri:** We may be for the long-term debt-free?
- Prem Khandelwal:** Yes, this investment is spread over a period of 6-7 years. We expect enough cash flow to generate during that period to meet the requirement. As of now, we have not planned any debt raising for the expansion.
- Moderator:** The next question is from the line of Joshua from Seven Seas. Please go ahead.
- Joe Shah:** Prem, this is regarding Utkal C. I understand that Utkal C compensation is not $1 + 1 = 2$. For land investment from 2014, we are entitled to 12% interest rate per year. It means suppose the compensation payment is delayed, we continue to earn interest on the land investment. So, do you expect final compensation to be more than our investment in Utkal C of about Rs. 350 crores to Rs. 375 crores?
- Prem Khandelwal:** No, that is difficult to predict Joe Bhai because there are many components they are going to disallow also. So, maybe whatever interest we are going to get, that will compensate for the disallowance portion. That's why I said that we expect the investment amount to be recovered more or less. We don't expect any write-offs.
- Joe Shah:** Can we expect more also? Is it possible?
- Prem Khandelwal:** No, that is difficult to predict.
- Joe Shaha:** But there is a possibility also, right? Because of the delay, we earn more interest also.
- Prem Khandelwal:** Yes, but that interest meter is stopped from October last year because after the vesting order they have issued, the interest portion is not accruing anymore.
- Joe Shaha:** Deepak, one question for you. Yesterday, MD mentioned that in 5 to 6 years, we plan to raise the ore capacity to 10.5 lakh tonnes of chrome ore and our new furnace capacity will be commensurate with the ore raising. Looking at the new Kalinga capacity of 1 lakh tonnes, I think

there is still scope to have a furnace of another 70,000 to 80,000 tonnes. Next project after this 1 lakh tonne capacities are achieved, we can have one more furnace, one more project?

Bijayananda Mohapatra: Actually these are mining explorations. After 5 years, we are going for underground mining. From there, we will go up to 10.5. Initially, we are putting 1 lakh tonnes for which around 2.5 lakh tonnes is required. That we are building up now. After 5-6 years towards 2028-29, we will go for another set of ore acquisition. At that time, we will think.

Moderator: The next question is from the line of Mr. Saket Kapoor from Kapoor & Company. Please go ahead.

Saket Kapoor: Prem sir, I missed your comment. You mentioned that FY24 profitability will be in the similar line to what FY23. Did you comment something like this?

Prem Khandelwal: Yes.

Saket Kapoor: Because, when we look at the last year's performance, the PBT numbers were at Rs. 340 crores and we have done PBT of Rs. 150 crores for the first quarter itself. This means that we are indicating or we are anticipating lower numbers for the coming 3 quarters that will themselves be cumulative to closer to Rs. 340 crores.

Prem Khandelwal: As I said, Saket, in our company, projecting the quarterly numbers is very difficult. We need to see it on a yearly basis only. That's why I said that looking at the current price trend and the cost trend, we expect the profit margins to remain the same for the current year also compared to last year. Quarter on quarter predicting is very difficult.

Saket Kapoor: But that is pointing towards if we have the first quarter as a heavy quarter and we are predicting that we will be closer to last year's number, that means that the trend is going to be lower for the remaining 3 quarters.

Prem Khandelwal: That is for you to extrapolate.

Saket Kapoor: How are the shipping costs currently trending, sir?

Deepak Kumar Mohanty: Shipping costs have come down because as already I have told, demand is not there. It has come down to the earlier normal scenario and it is continuing. Not much difference. It is not at high like earlier. It is more or less stable and range bound.

Saket Kapoor: And 2 last questions. Firstly sir, what are the key factors that have enabled us for this kind of expansion? We have been able to repay our debt. We don't have any long-term debt currently and also the Utkal C litigation is coming to an amicable solution in our favor as of now. Barring these, what has resulted in us committing CAPEX for the expansion wherein we have so many variable factors pertaining to the offtake and pertaining to the realization? Barring the chrome

ore which is the key raw material, the other factors are not in our hands. So, what has led to this commitment of around Rs. 1,500 crore CAPEX over 5 to 7 years down the line? If you could elaborate on the same?

Prem Khandelwal: You mean to say we should not expand?

Saket Kapoor: No, I am not. I am only trying to understand....

Prem Khandelwal: If we have to expand, then we have to put up furnaces also because we are expanding our chrome ore facility. We are expecting more ore from the underground mines. That's why we are putting up more furnaces also. And the biggest strength in our company is that we are fully integrated. So, at any point of time, we are going to make money. Even at the bottom of the curve, we are going to make money. So, why should we not expand?

Saket Kapoor: But these factors were there for us 2 years earlier also or 3 years earlier also.

Prem Khandelwal: But at that time, we were debt heavy. We were not in a position to raise further debt. Now we are debt-free and the situation is much better compared to COVID years now.

Saket Kapoor: Currently, what is our working capital requirement and the cost of funds there?

Prem Khandelwal: As of now, on a net debt basis, we are almost at a zero level. So, not much requirement at the moment.

Moderator: The next question is from the line of Joshua from Seven Seas. Please go ahead.

Joe Shaha: Binoy, will you please confirm my understanding regarding the Kalinga expansion project? Our power requirement is 58 megawatt, out of which 40% will be coming from our captive thermal plant and 60% by way of renewable energy. Is it right?

Binoy Agarwalla: Yes.

Moderator: Ladies and gentlemen, this was the last question for the day. I now hand the conference over to Mr. Abhishek for the closing comments.

Abhishek: Thank you everyone for joining us today on this conference call. We have had the opportunity to share our exciting plans for IMFA's future growth and we are truly optimistic about the year that lies ahead. On behalf of the company's Board of Directors and management, I extend our heartfelt gratitude to each one of you for your active participation in this call. Your interests and questions have been invaluable to us. If you have any further inquiries or require additional information, please feel free to reach out to us or to my colleague at aryan.rana@veritasreputation.com. We are always available to address any queries you may



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have. Thank you once again for being a part of this conference call and we look forward for a promising future and continue to grow ahead. Thank you, and have a great day ahead.

Moderator:

On behalf of Veritas Reputation Private Limited, that concludes this conference. Thank you for joining us and you may now disconnect your lines.