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An ISO 9001, ISO 14001 & ISO 45001 Certified Company

SARDA ENERGY & MINERALS LTD.

13th February 2024

BSE Ltd
The Department of Corporate Services
Phiroze Jeejeebhoy Towers
Dalal Street – Mumbai 400 001

National Stock Exchange of India Ltd.
Exchange Plaza, Bandra Kurla Complex
Bandra (E), Mumbai – 400051
Fax. No: 022-26598237 / 38, 022-26598347 / 48

Security Code No. :**504614**

Symbol: **SARDAEN** Series: **EQ**

Dear Sir,

Sub: Transcript of the earnings call conducted on 6th February 2024

Please find enclosed herewith the transcript of the Q3 & nine months FY 2024 Earnings Conference Call conducted on 6th February 2024. This is for your information and records.

This information is being hosted on the Company's website - www.seml.co.in.

Thanking you,

Yours faithfully,
For Sarda Energy & Minerals Ltd.

MANISH SETHI Digitally signed by MANISH SETHI Date: 2024.02.13 10:11:18 +05'30'
Company Secretary

Encl: As above

"Sarda Energy & Minerals Limited
Q3 & 9 Months FY24 Conference Call"

February 06, 2024

MANAGEMENT: **MR. MANISH SARDA – DEPUTY MANAGING DIRECTOR, SARDA METALS AND ALLOYS LIMITED**
MR. P K JAIN – DIRECTOR AND CHIEF FINANCIAL OFFICER, SARDA ENERGY AND MINERALS LIMITED
MR. NILAY JOSHI – HEAD (CORPORATE FINANCE), SARDA ENERGY AND MINERALS LIMITED

Moderator: Ladies and Gentlemen, Good day and welcome to the Sarda Energy and Minerals Limited Q3 & 9 Month FY24 Conference Call. We have with us today Mr. Manish Sarda – Deputy Managing Director, Sarda Metals and Alloys Limited, Mr. P K Jain – Director and CFO, Mr. Nilay Joshi – Head Corporate Finance.

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 this 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. Manish Sarda. Thank you and over to you, sir.

Manish Sarda: Thank you so much and good morning to everyone. A very warm welcome to each one of you attending this call. I would like to state that some of the statements made in this call may be forward-looking and a disclaimer to this effect has been included in the investor presentation. I hope you all had a chance to go through the results and presentation uploaded on our website as well as websites of stock exchanges.

During the quarter under review, globally the economies continued to face macro headwinds on account of weakness in Chinese economy, high interest rates, war between Israel and Hamas, high fuel cost and attacks on ships in the Red Sea.

In India, domestic steel demand continued to grow and was up around 10% year-on-year. The steel spot prices moderated in line with global cues without corresponding correction in input prices. As such profit margins shrank slightly. Central banks continue to adopt tighter monetary policies to rein in inflation.

During the quarter, we have achieved the highest-ever production of iron ore pellets, Wire Rod and captive power. The ferro alloys plant also operated at record levels. For the 9-month period we achieved record production of coal, thermal power, ferro alloys and all steel products except sponge iron. Hydropower generation during the quarter was low due to lower rainfall in catchment area and pipeline damage from landslide in Uttarakhand project. Power generation in Uttarakhand project has resumed now.

In 3Q FY24 we exported 33,429 metric tons of ferro alloys valued at about 242 crores against 25,454 metric tons in quarter 2 FY24 valued at 189 crores and 20,554 metric tons in quarter 3 FY23 valued at around 176 crores.

We have received permission for increase in the production of iron ore pellets from 8 lakh tons to 9 lakh tons. This will enable us to produce extra quantity without any fresh capital investment.

Mines and minerals: The Gare Palma coal mine block produced 3.86 lakh tonnes of coal. We have applied for an increase in the coal mining capacity of Gare Palma IV / 7 coal mines from

1.44 million ton to 1.68 million tonne and expect to receive permission during the current year. In view of increased in house coal requirement post proposed acquisition of SKS Power, we are seeking approvals to increase the coal mining capacity of Gare Palma IV/ 7 coal mine to 5.2 million metric tons in phases.

The capacity of the coal washery is also proposed to be increased suitably to meet our requirement. We are also taking steps for setting up railway siding and loading infrastructure in the coal mine for movement of coal through rail, for cost effective movement of coal and mine refilling material.

The Indonesian joint venture coal mine produced 250,000 metric tonnes coal during the last quarter. In the last quarter when mines reopened, we had produced 84,000 metric tonnes of coal from the mine. The Indonesian JV has received permission to produce 1.60 MTPA from the coal mine. We expect to produce 1 million metric tonne of coal from the mine in FY25.

Our proposal for first stage forest clearance for Shahpur West Coal Mine in Madhya Pradesh has been approved. Mine opening work will be started only after getting stage 2 forest clearance and mining lease. We expect to commence commercial production before the stipulated period of 51 months from allotment. Post commissioning of this mine 100% of our high-grade coal requirement will also be met for from captive mine insulating us against price fluctuations and high cost of imported coal.

We have entered into an agreement with SECL for mining of high-grade coal from Kalyani coal mine on a revenue sharing basis. We have to restart mining within 18 months after obtaining all required approvals etc. This was the first mine under revenue sharing model.

A joint venture with our share of 67% has been declared as successful bidder for reopening and operation of Bartunga Hill high-grade coal mine of SECL in the state of Chhattisgarh with a revenue share of 18% to be shared with SECL. The contract shall be executed through a special purpose vehicle. This will further strengthen company’s presence in commercial coal mining.

Surjagarh Iron Ore Mine: we are awaiting letter of intent from the Government of Maharashtra for composite license for the mine. Soon after receipt of LOI prospecting work will be started.

Solar power project:

The company is installing solar power project of 50 megawatts in the state of Chhattisgarh to meet captive power requirement to replace the grid power being purchased presently. The project is estimated to cost Rs. 200 crores. Orders have been placed and the plant will be operational before the end of next financial year. In addition to the cost saving, it will also help in reduction of carbon footprint.

Hydro power project under construction.

Construction work at 25 megawatt **Rehar** Hydro Project is progressing ahead of schedule and the plant is expected to be operational well before scheduled completion date of March 2025.

Acquisition of SKS Power: the matter of approval of our resolution plan for acquisition of SKS power is under hearing before NCLAT. SKS is having an operating thermal power plant to 600-megawatt capacity near our coal mine in Raigarh and this acquisition will bring operational synergies with our coal mine. Presently, NTPC is running the plant under O&M contract.

Financial performance: The company has achieved consolidated revenue of INR 925 crores during 3Q FY24 against INR 1,001 crores reported in last quarter and INR 908 crores in the corresponding quarter of previous year. The company has reported operating EBITDA of INR 194 crore during the quarter against INR 240 crores in the previous quarter and INR 197 crore in 3Q FY23.

The company's consolidated profit after tax stood at INR 114 crores as against INR 149 crores in previous quarter and INR 130 crores in 3Q FY23. All steel products except iron ore, pellet, ferro alloys, saw price pressure. Fall in the selling prices has resulted in fall in revenue and profitability in spite of improved volumes.

Debt: The company is net debt free. At consolidated level gross long-term debt stood at INR 1,100 crores. Loans repayable within the next one year is INR 185 crores. Ongoing CAPEX, including for coal mines and hydro projects, have been financed from internal accruals. The company has strong liquidity position to meet projected outflow for acquisition and ongoing capex.

The company is not exposed materially to currency fluctuation. Foreign currency exposure is majorly covered by natural hedge. The quarter gone by has seen strong domestic demand, but slowing global demand and increased export from China had an impact on pricing of steel. China's property market remains sluggish affecting steel consumption. During the quarter, India recorded 0.5% growth quarter-on-quarter and 15% growth year-on-year in crude steel production. During calendar year 23, India recorded 12% growth in crude steel production against flat production in China and the rest of the world. During the quarter, India recorded growth in steel production despite jump in imports from 2.26 million tons to 2.59 million tons. The apparent consumption has gone up from 31.38 million tonnes to 35.15 million tonnes year-on-year registering a growth of 12%.

Iron ore and pellet prices remain firm due to increased export from India. Energy and logistics prices softened during the quarter. Due to reduced domestic consumption and increased exports from China, the finished good prices also softened resulting into compression of margins. Ferro alloys prices also corrected during the quarter.

Outlook:

The Indian economy remains stable against the pressure of high inflation, high interest rate environment. Interest rates across the globe are expected to start falling in view of declining inflation across the globe that should boost capex heavy projects and real estate sector, creating demand for steel.

Indian steel production and consumption has recorded healthy growth and is expected to continue its high growth momentum. The apparent steel consumption has recorded healthy growth of 14% in 2023. Growth in the steel sector is driven by government spending on infrastructure and recovery in private investment which has been the focus of this year's budget.

Money flow from election-related spending should also stimulate demand. Input cost to steel making including iron ore, coke, coal and energy may remain range bound with upward bias. China demand remains subdued but may pick up with additional stimulus measures. With recent increase in steel prices in other parts of the world and BIS restrictions, imports of steel in India is expected to go down.

Some margin expansion is seen in ferro alloys with a recent price increase of about USD 35. Though in spite of marginal increase of about 15 cents in price of manganese ore and increase in prices of coking coal by about USD 20-25. The price of coal has also been stable. Price of power in open market is hardening and is expected to remain at elevated levels in view of seasonal demand providing good power sale opportunity.

That's all about the performance and outlook. Now we leave the forum open for questions from the participants. Thank you.

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Rakesh Roy from Omkara Capital Private Limited. Please go ahead.

Rakesh Roy: My first question is this quarter the volume is good compared to last year if I check sir, but realization if you check your volume is increased by 3% in steel compared to realization is down by 12%. Sir, any reason behind this?

P. K. Jain: Yes, as stated in our opening remarks the prices of the finished goods have gone down as compared quarter-on-quarter. Also it has gone down year-on-year. Also prices have remained sluggish, that is the reason for the fall in the revenue.

Rakesh Roy: Any chances to increase the prices in Q4 because the raw material prices are start going upside sir?

P. K. Jain: In opening remarks we also stated that recently ferro alloys prices have seen some upward movement and the pellet has also seen upward movement, remaining steel products I think remains on the same level. Manish ji can you give more highlights on this?

Manish Sarda: See, if you've gone through the opening remarks it was clearly mentioned that because of the global prices being subdued the profitability and revenues have been lower compared to the last quarter and last year. What is happening is that there is a lot of activities which are happening which are not very conducive to business like the Hamas, the Red Sea environment, the continuous fighting between Ukraine and Russia which is still on and off and these spurts are not letting things go in the right direction in terms of infrastructure growth in these areas.

Here in India, we are seeing a very strong domestic demand. We have seen the growth also for steel and the apparent consumption has also gone up. What is happening is that there are lot of places where infrastructure development is going to start taking place in a big way. We have currently seen the Atal Setu being opened.

There are a lot of other bridges which are being made, the coastal roadway in Bombay still carrying on, part of it is getting open, part of the coastal roadway is yet to get started. So, infrastructure is going to grow, steel is going to go up, raw material prices have gone up slightly, but I think it's only a lag which happens always in the commodity market.

The lag whenever the finished prices go up the raw material prices also start moving along and vice-versa. So, hopefully we'll see the prices come back and rebound in a good way this year.

Rakesh Roy: Sir, my next question is regarding increase in December and coke prices increase nearby $10 to $20. So, this will impact our margin into Q4 or Q1?

Manish Sarda: Which prices you said?

Rakesh Roy: Coke.

Manish Sarda: So, we basically do not use coke too much in our entire facility for production of goods and we just use coke in ferro alloys and to quite a bit we are insulated as we have started using a lot of Indian coke as well. So, we are trying to have an economic blend of Indian Coke as well as imported coke and good quality South African coal.

So, we are trying to insulate ourselves from the coke price fluctuations and to a great extent we are quite a bit insulated from that angle.

Rakesh Roy: Sir, next question regarding you get the permission for the pellets from 8 lakh to 9 lakh. So, for FY25 we take 9 lakh full?

Manish Sarda: We have taken the permission, and we will try to produce 900,000 completely.

Moderator: Thank you. The next question is from the line of Aditya Rathi from Aequitas Investment Consultancy Private Limited Please go ahead.

Aditya Rathi: Sir, any timeline on our mind regarding the Gare Palma Coal Mine enhancement to 5.2 mn tons?

Manish Sarda: Please understand that the timeline is difficult to say, but we are trying our level best to get it. It happens in phases. As you know the matter goes up to Delhi, the Environmental Board and we are trying our level best to pursue it as fast as possible, but the overall process takes a bit of time. It's very difficult to put a timeline exactly when we will get the clearances, but in normal course of operation, I mean, the way things are working at the Delhi level it should come stage wise.

Aditya Rathi: It should come by what?

Manish Sarda: It should come in stages. We have to apply in stages you can't straightaway apply for 5.2, but that is the whole aim is to get it to 5.2 million metric tons because we will need that extra coal for our acquisition of SKS Power. So, we are trying our level best and hopefully we should be able to do this in the next year and a half or so.

Aditya Rathi: And sir amount of cost saving that we're expecting after the solar power plant of 50 megawatt that we have recently awarded?

P K Jain: Yes our present landed cost of power is Rs. 7 plus from the grid and whatever power we will replace it should cost somewhere below Rs. 4.5, it will not cost beyond that. So, that will be the saving whatever generation is there.

Aditya Rathi: And sir we are close to the end of financial year 24, any volume guidance for next financial year across the segments?

P K Jain: The production of pellet will definitely go from 8 lakh tons on the higher side and rest of the capacities we are operating at optimal level there will be slight improvement. There won't be any material change in the output capacity, slight improvements will always be there in the steel segment also and coal presently we have capacity of 14.4 lakh tons that will go to 16.8 lakh tonnes.

Aditya Rathi: 16.8 lakh tonnes, right?

P K Jain: Yes, and hydropower will also start, second hydropower project in Chhattisgarh will also start. We will have some generation from that project also.

Moderator: Thank you. Next question is from the line of Vikas Singh from Phillip Capital India Private Limited. Please go ahead.

Vikas Singh: Good Afternoon Sir, congratulations on becoming Net Debt Free. Sir just wanted to understand our capital allocation. since our new hydropower would also be coming, a little bit better in pellets and coal mine would also start contributing next year. I see our cash inflows would be much higher than the current CAPEX plan which you have chalked out.

So, just wanted to understand the next 2 years to 3 years what kind of capex we are planning to take up and how do we allocate our, what would be our capital allocation policy?

P. K. Jain: If you see one is the SKS project which is already in public domain. So, whenever we receive approval from NCLT that will be the one major investment and in addition to that we have taken up 3 coal mines. One is Shahpur Coal Mine which I think after we receive the second stage forest clearance we will start working on that and may be in 1 year, 1.5 years that should come into operation.

Third we have taken 2 coal mines on revenue share basis. There also investment will be spread over a period of 2 years to 3 years because it takes time to get the required approvals and then carry out the investment. So, all these projects the capex will not be within one year. The annual CAPEX will be somewhere in the range of 700 to 800 crores except the SKS Power project. For the next 2 years at least, we will have CAPEX of about 700 crores to 800 crores and put together in all the ongoing projects.

In addition to that, the hydropower project which you talked about will get commissioned in the next financial year somewhere in between. So, that is getting over. There won't be material capex beyond that on this particular hydropower project.

In addition to that, we have taken one mineral wool project in our subsidiary at a cost about INR 70 crores. So, our capex plan for the next 2 years is in the range of 700 to 800 crores per annum based on the capex already planned and approved.

Vikas Singh: Just one question on SKS. Assuming that we would eventually receive permission, so is there any additional CAPEX which we need to incur apart from the bid which we have submitted over and above to basically rectify or do some other modification in the plant?

P. K. Jain: That is a running plant. Presently also it is operating at the normal level. So, there won't be any material capex. There might be some minor here and there, but there is no material capex involved.

Vikas Singh: But I basically heard somewhere that plant had the further potential to increase capacity, so was coming from that perspective?

P. K. Jain: That plant has got the capacity to increase to 1,200 megawatt. First, we will stabilize the operation then we may go for the second phase of the project that is a separate independent project which will be decided in subsequent times. We will decide based upon the market study of the techno economic viability of the expansion, but yes they have got the infrastructure, they have got the approval, that is there.

But as of now there is no plan specifically to increase the capacity immediately from 600 to 1200 MW. We don't have any plan immediately.

Vikas Singh: Just one last question last quarter what percentage of our own coal requirement had been met through captive sources and how do we see it in FY25-26?

P. K. Jain: FY25-26 we should be able to meet 100% of our coal requirement from captive sources after commissioning of the Shahpur Coal Mine. Presently might be 70% approximately, I will let you know offline, but approximately we must be able to meet 70%, 75% of our captive requirement from our captive sources.

Vikas Singh: That is for the steel and power, for the ferro alloy the coke would continue to come from outside?

P. K. Jain: No, even for ferro alloys once we have our Shahpur Coal Mine operational coal requirement even for other plants including for ferro alloy we should be able to meet from captive sources. Presently, we are using imported coal partly for the sponge iron and partly for the ferro alloys.

Moderator: Next question is from the line of Vikash Vijayvargiya from Acorntree Group. Please go ahead.

Vikash Vijayvargiya: Sir I want to understand after this 50-megawatt solar power project whether our company is eligible for the green steel for the export purpose?

Manish Sarda: Basically, we will reduce our carbon footprint for sure, but green steel is a different subject altogether. Green steel has a lot of components to it. So, I would not say that it will be directly called as green steel, but definitely, our overall carbon footprint will be reducing and that is the whole approach going forward to reduce as much carbon footprint as we can.

Vikash Vijayvargiya: So, after this one how much carbon footprint is reduced in our case?

Manish Sarda: That we have to get it verified through the proper agencies which we have not yet started because we've just placed the orders for the solar power plant and once things get in line we will get that. Also because for carbon tax we will be requiring the carbon footprint reduction data also.

Vikash Vijayvargiya: And another thing is there regarding this SKS project any timeline is there from your side expected not in the firm timeline is the expected timeline?

Manish Sarda: It's a court driven process right now the matter is in court. While we are trying to expedite and do the best from our end and the process takes its own time so it is difficult to put a number on it. We are hopeful it will happen fast.

Vikash Vijayvargiya: In the next 6 months or 12 months?

Manish Sarda: Yes 6 months probably.

Moderator: Thank you. Next question is from the line of Tej Patel from Niveshaay Investment Advisory. Please go ahead.

Tej Patel: So, I know you already talked about the ferro alloy prices in your commentary. You said that they got corrected in Q3 and now have seen a little bit of an upward take. So, would you mind putting a number to it and how do you see the prices panning out in let's say next 2 quarters, 3 quarters?

P. K. Jain: If you see, the prices in steel products and in ferro alloys in last quarter, compared with the previous quarter was down by in the range of Rs. 2,000 a tonne. If you compare year-on-year, the ferro alloy prices corrected on the much higher side may be about Rs. 7,000/ Rs. 8,000 a ton YoY.

Tej Patel: This was for the quarter in Q3 right?

P. K. Jain: And more details are available in our corporate presentation you can see there.

Tej Patel: How do you see these prices panning out? Already this 1 month we are into this quarter and how do you see it moving let's say next 2 quarters?

P. K. Jain: Ferro alloys prices have already moved up as given in our opening statement and steel prices are hovering more or less in same lines except in case of pellet where it is slightly on the higher side.

Moderator: Thank you. Next question is from the line of Jatin Damania from SVAN Investment Managers. Please go ahead.

Jatin Damania: So, I just wanted to cross check, you earlier indicated that we will be spending near about 700 to 800 crores of the CAPEX every year. Now this includes only for the power or probably it includes all the CAPEX that we will be doing for the expansion for the coal block as well?

P. K. Jain: No, it includes all projects including coal, solar power projects, all other projects and increase in the mining capacity of the existing running mine, new mines opening except SKS. This is what we have stated.

Jatin Damania: And sir if you want to include the SKS what could be the outer I mean the additional CAPEX that we will have to incur for that?

P. K. Jain: SKS is an independent transaction that will be independently financed giving specific figures to that will not be right at the moment. So, other than SKS all other projects, whatever we have planned or got approved or which are under installation. This is what we have given you, the estimated figure of our capex plan.

Jatin Damania: And sir if you can help us in terms of the output that we are getting from the Kalyani Coal Mines and the Bartunga Coal Mines because last quarter we had already entered into a revenue sharing model with SECL. So, if you can throw some light on that what is the output that we are getting from both these mines?

P. K. Jain: Kalyani Coal Mine it will be 1.8 lakh tonnes per annum and Bartunga will be 2.1 million tonnes per annum in the peak capacity.

Jatin Damania: And what are we doing right now?

P. K. Jain: Presently we are not there. These are the new mines which will be started. Capacity wise only after the mines come into operation. I'm talking about, once we reach to the full rated capacity.

Jatin Damania: And sir in terms of the consent to operate of the expansion that we have got in terms of the wire rod from 1.8 to 2.5 and pellet from 8 to 9, when do we expect these numbers to achieve? So, just wanted to understand if you can give us the broader guidelines for FY25 numbers with the new consent?

P. K. Jain: In the pellet our endeavor is to achieve in the next financial year, maybe in the range of somewhere about 8.6 lakh to 9 lakh depending upon the different conditions and wire rod what we expect it will remain somewhere in the range of 2,00,000 to 2,25,000.

Moderator: Thank you. Next follow up question is from the line of Rakesh Roy from Omkara Capital Private Limited. Please go ahead.

Rakesh Roy: My next question regarding in your Hydro product currently we have nearby 142 megawatt and 25 megawatt is under construction. So, sir next 2 to 3 years how much we are looking. Any chance we are looking to add more hydro in near term in next 3 to 4 years and how much sir?

P. K. Jain: Maybe one more project will come up in the next 2 years, 3 years.

Rakesh Roy: How much megawatt sir?

P. K. Jain: 25 megawatt what we have planned.

Rakesh Roy: How much sir?

P K. Jain: 25 megawatt.

Rakesh Roy: In which state sir?

P. K. Jain: Chhattisgarh.

Moderator: Thank you. Next question is from the line of Rajesh Bhandari from Nakoda Enterprises. Please go ahead.

Rajesh Bhandari: Now this SKS Power now it is 100% sure that Sarda would be getting it?

P.K. Jain: Matter is in court of law.

Rajesh Bhandari: In the meantime, some problems has arisen, has that problem resolved?

Manish Sarda: Matter is in court of law, so what we can comment on it. Based on precedents from Supreme Court old decisions, our case is very strong and very clear.

Nilay Joshi: So, we have been issued an LOI, we have given BGs to the CoC. Matter is in the Court and very strong case. Beyond that very difficult to say anything because matter is sub-judice.

Rajesh Bhandari: LOI we already have?

Nilay Joshi: Yes.

Rajesh Bhandari: Second sir what you said of revenue sharing it is basically revenue sharing or profit sharing?

P. K. Jain: Revenue sharing.

Rajesh Bhandari: Means how much revenue will be there around certain percentage you will have to give?

P. K. Jain: Yes.

Rajesh Bhandari: The profit has to be much, much more because revenue will come out of top line.

P K Jain: Yes.

Rajesh Bhandari: Second sir, last time if I remember you were saying that from China also demand should come, what it is expected?

P. K. Jain: China conditions, global market, property market it is very cold and stimulus they are bringing one by one, how they impact it depends on that.

Rajesh Bhandari: And for capex of Rs. 700 crores to 800 crores per annum we have to do fundraise?

P. K. Jain: There is no need of fundraise. We have sufficient internal accruals to support the projected expansions.

Rajesh Bhandari: And normally we have seen that so many years that Sarda realization has been excellent as a matter of fact, but this time the other players have had better realization than Sarda?

Manish Sarda: In which products how and why?

Rajesh Bhandari: The normal steel products which are there, I am not talking about the power, in that. I would not like to name the other companies, but their profits have been much higher.

P. K. Jain: Multiple factors, every cost matrix is different. Commenting on profitability of others will be very difficult.

Rajesh Bhandari: Normally we have seen that Sarda realization has been excellent in the market?

P. K. Jain: Our statistics, our realization, in the presentation complete details are there.

Rajesh Bhandari: Solar plant which is there that is 50 megawatt?

P. K. Jain: Yes.

Rajesh Bhandari: It will take about 1 year in installation.

P. K. Jain: Yes.

Moderator: Thank you. The next question is from the line of Saket Kapoor from Kapoor and Company. Please go ahead.

Saket Kapoor: Sir, firstly if you could provide me with the sales mix in proportion to the value-added percentage how much goes into the value-added part and also what percentage of our sales is towards domestic and the export percentage?

P. K. Jain: Can you repeat your question initially your voice was cracking.

Saket Kapoor: Firstly, how much is our value added of total sales and value-added which categories and what percentage it goes in value added and domestic and export mix is how much?

P. K. Jain: Value added the whole production and sales data has been shared in the operational data where you will see. So, at every stage part of the quantity is sold in the market and part of the production is going in the value-added products. If you take the example of the pellet. Pellet we are producing about 8 lakhs tons per annum out of that maybe 35% is going in the captive consumption and remaining is we are selling in the market.

Similarly sponge iron out of 3 lakh tonnes plus production we are captively consuming about 2 lakh tonnes of the sponge iron captively and remaining is going in the market, but at every stage there are different percentages of the production which is getting consumed captively for downstream production and remaining is sold in the market. Same is the case with coal and same is the case with billet. About 80% to 85% we are captively consuming and converting into Wire Rods. So, it's like that.

So, far as domestic and exports are concerned ferro alloy is the only product which we are exporting about 90% of our ferro alloy production from Visakhapatnam plant is getting sold in the export market remaining ferro alloy is sold in the domestic market and all those details have been provided in our opening remarks also.

Saket Kapoor: Sir, when we look at the international coal prices currently they are on a declining trend. I am not particular with the grade, but if we look at the coal prices have declined year-on-year also and monthly also because I think of the slackening Chinese demand.

So, taking the current international prices and on an import parity basis how well do you think that our acquisition of SKS and going ahead the merchant mining all these are going to be good profitable venture even post this decline?

Manish Sarda: Basically, the question is that when you are seeing the international coal prices declining.

Saket Kapoor: Right.

Manish Sarda: And do you know the decline what it is?

Saket Kapoor: I am just referring to the website wherein I have seen the decline of around year-on-year prices are down 50%.

Manish Sarda: Please understand that the coal prices had gone to record highs of $190 odd for South African RB 1 coal and the normal pricing of South African RB coal should be hovering from RB 3 to RB 1 between the ranges of $78 to $105 that's typically the range bound pricing of South African Coal.

Now if you have looked at the Indian coal prices overall historically we have been comparatively lower because of the quality of coal that we have. We have majorly power grade coal in India.

We have the resource base for that. Now the acquisition of SKS makes a very strategic sense for us because it's very close to our coal mine.

So, the logistics cost for transportation of coal which is also a big factor in India. If you look at other power plants they're buying coal from a lot of distance. So, it makes perfect sense for us when it is our own captive coal mine we don't have to be bothered about the raw material that is required for the power plant.

So, I mean in short and in a nutshell the acquisition is very strategic. The acquisition definitely will prove very, very good for the company in terms of the numbers, in terms of the profitability. The international coal price has got directly nothing to do with the SKS acquisition in the true sense of things that international coal pricing has gone down because it was abnormally high which was not sustainable. Now it has come to a stage where we can say that these prices are the realistic prices of coal of RB 3, Rb 2 and RB 1.

Saket Kapoor: So, we are benchmarking the South African coal prices which you are referring to?

Manish Sarda: Even if you take the Indonesian coal price. Indonesian coal prices also went 4,200 also went up to $100, but all these pricing are also dependent upon the freight. Freight plays a major and a basic component of the entire pricing structure of imported coal in India. Imported coal is good for the coastal plants which are placed around the coast of India, only very high-grade coal like RB 1 and RB 2 goes into the central part of India for application usages, for blending usages, for improving the quality and the yield of the products like sponge pellet. They are not the bulk.

They are not in bulk consumption so to impact the entire overall pricing until and unless the price of coal moves very, very drastically high like what we saw few months back of 175 FOB basis. So, what I'm trying to say is that international coal prices have got no direct connection to SKS Power acquisition and the pricing of international coal will not decide whether this will be profitable or not because we have our own captive mine, which is very, very close.

Saket Kapoor: Sir with this SKS acquisition currently we will be setting up this any pithead thermal power plant or how is this coal being utilized and whether this will be for merchant sale or end utilization of the coal that you will mine?

Manish Sarda: Which mines?

Saket Kapoor: How is the SKS acquisition going to be aligned with our setup, we are going to set up pithead thermal power plant near the coal mines?

Nilay Joshi: So, let me just clarify I think there's some confusion. See SKS is a 2 * 300-megawatt operational power plant which is being run by NTPC right now. It is around 60 kilometers from our existing operational coal mine and SKS is a completely, a call on the India growth story. It has nothing to do with global coal prices. So, now if you have got clarity maybe I think you can ask your question because it has nothing to do with any pithead power plant and all of that. There's no plan of any pithead power plant.

Saket Kapoor: So, the powers generated from these from these power plants, are we looking for merchant sales or will we consume by our unit captive?

Nilay Joshi: Some captives maybe, but largely merchant sale. The matter is sub-judice right now, the strategy for sale we will decide later, as of now it is partly they are selling partly merchant and partly under PPA, what strategy etc. we take we'll decide when the matter is resolved in the court.

Saket Kapoor: And what are the current merchant rates under PPA and the market share?

Nilay Joshi: I mean there's limited information that can be discussed for SKS at present.

P. K. Jain: One thing I would like to clarify, on the coal pricing you are talking, about is the imported coal vis-a-vis our coal mines. Whatever premium or revenue share we are giving that is also linked with the market rate. So, if prices are falling our cost will also go down.

Saket Kapoor: So, post this aligning of SKS in our portfolio, how will the revenue mix look like in terms of the different verticals, we have ferro alloys and steel and then power. What would be the revenue mix?

P. K. Jain: I think definitely power revenue will go up from here. Presently, power revenue is much lesser because we are selling only hydropower and thermal is largely captive consumption. So, with the incoming of the merchant power of 600 megawatts of SKS power the share of power sale will be substantially higher in the overall revenue mix.

Saket Kapoor: Any ballpark number you can give sir depending upon the current prevailing rate what should be the likelihood and at full capacity utilization?

P. K. Jain: I think it will be too early to consider the numbers of SKS in our revenue because by that time there will be multiple other revenue streams maybe from the coal and all those things other expansion projects, hydropower projects will also come up.

Moderator: Thank you. As there are no further questions, I would now like to hand the conference to Mr. Manish Sarda for closing comments.

Manish Sarda: We thank all the participants. The company continues to diversify its revenue streams, revenue from power and mining will increase over a period decoupling it from Cyclability of metal industry. Journey from here is exciting.

We are adding solar power for captive consumption which will help in reducing carbon footprint of our manufacturing facility, approval for resolution plan of SKS power will be a major milestone in our growth journey, increase in the coal mining capacity of existing coal mine from 1.44 million tons to 5.2 million metric tonnes and opening up of three more mines at Shahpur, Kalyani and Bartunga will also help in accelerated growth. Please feel free to reach out to us or our IR team if you have any further questions. We look forward to connecting again in the next concall.

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