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To,
The Manager-Listing Department,
The National Stock Exchange of India Limited,
Exchange Plaza, NSE Building, Bandra Kurla
Complex, Bandra East, Mumbai - 400 051
Fax: 022-26598237, 022-26598238

Subject: Transcript of the Earnings Conference Call of Analyst/Investor for half year ended 30th September, 2024.

Dear Sir/Madam,

Pursuant to Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations 2015, please find enclosed herewith the transcript of the earnings conference call of Analyst/ Investors for the half year ended 30th September, 2024 scheduled on 06th November, 2024.

Please take the same on record.

For Shera Energy Limited

Jyoti Goyal
Company Secretary & Compliance officer



“Shera Energy Limited H1 FY-25 Earnings Conference Call”

November 06, 2024



**MANAGEMENT: MR. SHEIKH NASEEM – CHAIRMAN & MANAGING
DIRECTOR, SHERA ENERGY LIMITED
Ms. JYOTI GOYAL – COMPANY SECRETARY &
COMPLIANCE OFFICER, SHERA ENERGY LIMITED**

MODERATOR: MS. CHANDNI CHANDE – KIRIN ADVISORS

Moderator: Ladies and Gentlemen good day and welcome to the H1 FY25 Results Conference Call of Shera Energy Limited hosted by Kirin Advisors.

As a reminder all participants' 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 Ms. Chandni Chande from Kirin Advisors.

Chandni Chande: Thank you. On behalf of Kirin Advisors, I welcome you all to the Conference Call of Shera Energy Limited.

From Management Team we have Mr. Sheikh Naseem – Chairman and Managing Director and Ms. Jyoti Goyal – Company Secretary and Compliance Officer.

Now I hand over the call to Ms. Jyoti Goyal. Over to you ma'am.

Jyoti Goyal: Good afternoon, everyone. Thank you for joining us today to discuss Shera Energy Limited financial performance for the first half of FY25.

We are happy to report our Results this half year. We delivered strong consolidated financial results at Shera Energy Limited with total revenue reaching Rs. 601.87 crores, a substantial year-on-year increase of 56.57% from Rs. 384.41 crores in H1 FY24. Our EBITDA rose to Rs. 29.11 Cr, reflecting growth of 15.12% compared to the previous year. We also achieved a significant rise in profit before tax amounting to Rs. 13.03 crores up by 50.88% year-on-year. Our profit after tax surged by 57.37% to Rs. 9.67 crores compared to Rs. 6.14 crores in the same period last year. Additionally, EPS improved by 48.21% increasing from Rs. 2.24 to Rs. 3.32.

Our financial performance in the first half of FY25 highlights robust growth and operational resilience. We achieved substantial revenue expansion underscoring our ability to capture market opportunities and enhance our market presence. Despite ongoing investment in capacity and expansion, our operational efficiency remains strong, evident in healthy profit margins and improved cost management. This profitability growth reflects our focus on sustainable value creation with enhanced returns to stakeholders and a clear pathway for continued expansion. The first half of this fiscal year has been transformational for Shera Energy as we achieved several key milestones. Our highest ever turnover was accompanied by our first African export order, opening a new market in Zambia which we expect will pave the way for further growth in the African continent. Additionally, our recent production capacity expansion both at the standalone and consolidated level positions us well to meet rising demand while maintaining our commitment to quality.

I would also like to highlight the exceptional performance of our subsidiary Rajputana Industries Limited, which recently went public. This listing marks an important milestone for Rajputana and reinforces Shera Energy's strategic growth in key market. Rajputana Industries recorded an impressive 80.55% year-on-year crores in total revenue for H1 FY25 reaching Rs. 257.77 crores with a 62.75% increase in profit after tax to Rs. 4.07 crores. Its successful market entry and growing profitability demonstrate its vital role in Shera Energy's portfolio, strengthening our consolidated market presence and enhancing shareholder value. Looking ahead we are excited about the growth opportunities that lie before us with our expanding footprint strategic partnership and focus on innovation and quality. Shera Energy is well equipped to lead in the global nonferrous metal industry. We remain committed to delivering sustainable value for all our stakeholders as we continue to capture opportunities across both domestic and international markets. Thank you for your support and trust in Shera Energy.

Now we will look forward to taking your questions.

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from the line of from. The first question is from the line of Viraj Yadav from Raj Industries.

Viraj Yadav: My question is what impact do you foresee from macroeconomic factors such as currency fluctuations and commodity prices?

Sheikh Naseem: Currency fluctuation definitely plays a vital role into the business, and it has a vital role in evaluating the inflation in our country. But since the Government of India, if you see our currency is more or less stable in the range of 83 to 84. And I can foresee a huge backup by the Government of India that Indian currency volatility will not be on a larger extent. But if you look into the international scenario for the dollar index, dollar is not going to change substantially because all international business happens across the globe in terms of dollar. Minor changes are always there and that is well absorbed into the business by everyone. Coming down to commodity prices, the US election results are about to be declared shortly. So, it will have some minor impact on the commodity prices. But overall stability will be there because the commodity is having a lot of strength and I don't foresee any decline in terms of prices in the commodity prices, demands are huge.

Viraj Yadav: My next question is what are your strategies for managing debt?

Sheikh Naseem: My strategy is always back-to-back buying of our raw materials. Whatever we sell we hedge it back and we never take a risk, or we never take a benefit in terms of keeping our position unhedged. We are not affected by any uptrend or downtrend into the international prices, either in terms of commodity or in your dollar prices.

Viraj Yadav: My next question is how is the company leveraging its relationships with key customers in the transformer and motor manufacturing sectors?

Sheikh Naseem: Company is focusing increase in our customer bank. Primarily we were operating mainly into Rajasthan. Now we have opened our horizon and we are reaching up to Assam also. So, we are increasing our customer bank on regular basis. We are introducing new customers to our portfolio, adding them and the same work we are doing for our export business. So, there's the reason you can see a substantial growth in the top line which is supported by the bottom-line growth.

Viraj Yadav: My last question is can you share the details about your R&D initiatives and their impact on product innovation?

Sheikh Naseem: Definitely, R&D is an ongoing process, and we are well equipped with all our metallurgists and chemists to do all requisite R&D to develop the different alloys. I would like to give light on the new innovations that is happening in our company. The company is now focusing and developing new alloys backed by nickel. Primarily we do into aluminum, copper and brasses. Now nickel alloying is a new product that we are working with and soon you will see their products in our product line and we are going to be one of the very big manufacturers into the nickel base alloys as well.

Moderator: The next question is from the line of Yashwanti Khedkar from Kojin Finvest.

Yashwanti Khedkar: Almost 57% growth in the top line and the bottom line. So, wanted to understand what has drove such an impressive growth at the top line and the bottom line, the question number one? We have seen the top line growth of around 57%, in the top line and the bottom line, however EBITDA grew only a well 15%. So, can you just simplify what are the things that is affecting our operation efficiencies marring our EBITDA there?

Sheikh Naseem: As I have repeatedly told our investors that the company is maintaining its profit margins on a similar line. But since we are going aggressive into the market, from 380 crores we have gone up to 600 crores on consolidated basis. That is speaks of aggressive marketing and aggressive addition of new customers. So, whenever you are putting new customers into your lines you are basically breaking some cycles of the existing market. There we had to sacrifice a bit on our sales price to introduce our products to various customers. Likewise, we have started doing business around 2,000 km away from our Jaipur horizon. That has also brought some minor impact in our costings and that has affected our EBITDA in terms of percentage. But if you consider volumetric growth, you will find it substantial growth. If you would have not done that, the volumetric growth would not have been achieved. So, there is a marginal dip in terms of percentage into EBITDA. But volumetric growth in EBITDA is much higher than what we were doing in previous half.

Yashwanti Khedkar: So, for a client acquisition volume growth is more considered at the cost of some profit at the initial customer. For any new customer acquisition, we would be concentrating more on the volume at the cost of our operating profit for the initial period.

Sheikh Naseem: Whenever you buy something, any product that is coming in the market, it has to be a reasonable in price. Commercially the people will accept it that way. After you get the market share then you can start driving your prices. You got it? If any product into existing market is launched, you have to sacrifice on your sales price. You cannot sell the operating levels of the market sales and otherwise the customers are not interested to buy. So, if something is sold at \$100, so when I am coming in the market, I have to sell it at \$95 or \$97. So, that hits your profit for a temporary phase. But in later stage when quality and everything is accepted then you are in position to drive your prices, and you are in position to grow your profits.

Yashwanti Khedkar: I just wanted to know what is your volume growth for the first half if the numbers are handy?

Sheikh Naseem: If I compare H1 to H1, we normally deal into aluminum, copper, and brasses. So, volumetric growth, if H1 you see '24, aluminum we did 4,834 tons. This year we have done 7,313 tons which is increased by 51%. Then in copper product last year we did 5,500 around. This year we have done 6,700 around which is giving an increase in 22% and coming to brass products, last year we did 1,200 tons around and this year we have almost done more than 2,600. So, brass has given us a substantial increase of 116%. So, these are the volumetric increase in our sales.

Yashwanti Khedkar: And compared to these three metals which metal drives the better margin for us for our product?

Sheikh Naseem: Margins in terms of percentage is always higher into aluminum and margin in terms of volume value is always higher into copper and brasses. Aluminum is having a price of roughly Rs. 200, brass is having a price of Rs. 600, copper is having a price of Rs. 900, So, on per kg if I am making money, Rs. 10 per kg on aluminum that will bring 5% margins. But if Rs.10 per kg is there in copper it will give you only 1% margin. So, in whenever you calculate in terms of percentage, you will find variations. But volumetric you have a better edge into copper and brasses. Likewise, why we were able to increase our profit in terms of volume growth because we were aggressive in selling brass products. So, the profitability in terms of percentage declined but in terms of value it increased. That was a strategic decision taken by the management.

Yashwanti Khedkar: And that will be continued even for the H2 and going forward?

Sheikh Naseem: Yes, if you improve into volume, you are in a better position to give good returns to your investors, your EPS increases. But if you earn only in terms of percentage and volume is not there, the EPS does not increase. So, for any business a balance of percentage growth as well as volumetric growth, combination has to be considered.

Yashwanti Khedkar: If I may ask two more questions. One is on your overseas subsidiary. So, how it is gaining a foothold in the overseas market, basically the Zambian subsidiary and how much contribution we can expect for FY25 from this company?

Sheikh Naseem: Now in terms of sales there is no contribution of Zambian origin till now. That company is under investment phase where exploration of different mines and different cable businesses is in

process of moving ahead. But you will find in second half of this year, we will be in position to start our operations into Zambia.

Yashwanti Khedkar: With regard to our Indian subsidiaries, we have already visited Rajputana Industry. I just wanted to know like are you also planning to list your another subsidiary that is Shera Metal Private Limited in the maybe current year or maybe the next year, is that on the card of yours?

Sheikh Naseem: This is a matter of decision taken to be by the board. But definitely would like to do that. We have to work on this but it will not be in a near future. It will take another year or so to bring that company into listing.

Yashwanti Khedkar: Last question is any new clients has been added in the first half of our current year?

Sheikh Naseem: New finance?

Yashwanti Khedkar: No. Any new client has been added in the first half of the current year?

Sheikh Naseem: No. We are planning to do some CAPEX in our subsidiary that is Rajputana Industries, where we will be making very fine gauge aluminum wires, suitable for fan industry and geysers. There we have applied to the bank and I expect their term loan to be sanctioned in a month's time and then we will be in position to make a new investment amounting to roughly 15-20 crores. And once that is done our performance of the company is going to further increase.

Yashwanti Khedkar: You helped me with your CAPEX plan, but my question was with regarding any new client has been added to the company's portfolio. Have we added new customers to our portfolio?

Sheikh Naseem: Yes, lot of them have come. Not only one but almost 20% new customers have been added.

Moderator: The next question is from the line of Paras Chhedda from Purple One Vertex Venture LLP.

Paras Chhedda: I just had a couple of queries; the turnover has significantly increased. In my understanding which I'd also confirmed last time the Zambian operations now with this new press issue, etc., will further see expansion. So, which is probably a high margin sort of a business. Is my understanding correct that by next year, we had a talk of blended margins for the consolidated company to probably reach double digit somewhere there after the Zambian operation stabilized. Would that be correct understanding?

Sheikh Naseem: Very correct understanding. We will be touching double digit EBITDA margins after the start of operations of Zambian.

Paras Chhedda: So, next year full year can we sort of assume like double digit margin?

Sheikh Naseem: 25 26, yes definitely it will be there.

- Paras Chheda:** And hopefully if we land up somewhere around 1,100-1,200 crores in that region this year. I mean what sort of an estimate would guidance would you give year in terms of turnover for next year broadly?
- Sheikh Naseem:** Broadly since I have already spoken, our one more subsidiary is there. We are in line to do some CAPEX there and once the CAPEX are done, it will give further increase by approximately 100 to 200 crores into our new products and with existing growth I can presume the top line to be in the range of 1,500-2,000 crores.
- Paras Chheda:** That will be for next year or next year or sort of?
- Sheikh Naseem:** Next year, FY25-26.
- Paras Chheda:** In the region of 1,500-2,000.
- Sheikh Naseem:** Yes.
- Moderator:** The next question is from the line of Tara Kaur from VY Cap.
- Tara Kaur:** My question is that, can you elaborate on the factors driving the impressive 56% of Y-on-Y increase in the total revenue?
- Sheikh Naseem:** This year we have added more customer bank. We have increased our range of products. The range of product means to say, the alloys that were making we have enhanced their range of sizes. So, that has helped us to reach to some more new customers and we have expanded further into the new markets. So, that has given edge to our business and that's the reason we have increased our sales by approximately 50%.
- Tara Kaur:** What is your hero product? Which product has given us the maximum revenue?
- Sheikh Naseem:** Maximum revenue is always governed by copper. And then it is governed by aluminum and then comes the brasses. If you see our copper, we have done 7 tons approximately and with a price of around 850 to 900. So, the volume, value wise sales contribution of copper product is highest.
- Tara Kaur:** My second question is also aligned with my first question if we are seeing impressive growth in our top line and bottom line. So, is it the same reason that we have diversified, we have expanded our product range and all that?
- Sheikh Naseem:** Yes definitely. Since we are not relying only on single or 2 or 3 types of products. We have roughly 15-20 different specification of products in our product line. That helps the company to maintain its top line, maintain its quantity of production on a regular basis.

- Tara Kaur:** My last question is that this when you say maintain, so we can expect the same in H2? So, what will be our outlook?
- Sheikh Naseem:** Historically H2 is always a better half than H1. Historically it has been proven, so backed by history I can foresee a better performance than H1 in H2.
- Moderator:** The next question is from the line of Amit Kapoor, an individual investor.
- Amit Kapoor:** The first question I had was, on the consolidated basis obviously both revenue and PAT looks pretty good. But on a standalone basis, it looks like the PAT has actually decreased H-on-H not year-on-year but H-on-H for Shera. So, what could be the reason for that?
- Sheikh Naseem:** H1 PAT has not decreased, if you see H1, are you comparing H1 or H2 to H1?
- Amit Kapoor:** Yes, that's what I said, half-on-half. So, H2 of fiscal.
- Sheikh Naseem:** Last year, yes and you are comparing with H1. So, if you have gone into the balance sheet, you just figure out one data is there, exceptional item or extraordinary item of sales. There was operational profit of H2 was 342 crores. But we had an extraordinary profit of 220 lakhs/2.2 crores which amounted to 5.62 crores. You got it clear now?
- Amit Kapoor:** Yes I am writing it down.
- Sheikh Naseem:** If you have if you have the data on with you. Do you have the data of our results?
- Amit Kapoor:** Yes, I do have.
- Sheikh Naseem:** So, if you just see the results. Profit before exceptional item, point #3. The profit before exceptional item, that's an operational profit, so H2 was 342. But below this line, you see exceptional item or extraordinary item. Extraordinary item of 2.2 crores was there in H2. That was basically a disinvestment profit of our subsidiary. We have disinvested some amount in our subsidiary and that resulted us a profit of 2.2 crores in that half. Putting both together it was 5.62 which is 5.91 now. But if you remove that extraordinary item, the profit from 3.42 has gone up to 5.91. So, 1% profit has gone to 1.41. If you see it on a total basis, from 1.7 it looks profit is going to 1.41 but if you see on elaboration there is one 2.2 crores of additional profit into our balance sheet in H2 of last year. And that's not an operational profit, that's a profit of sales of assets. Hopefully, I've made my point clear.
- Amit Kapoor:** Yes, absolutely clear. And just one other question. Do you have any order book that we are expected to deliver this year?
- Sheikh Naseem:** We always carry order book of minimum 2 to 3 months. Our business is not seasonal, it's a cyclic business and it moves on a month-to-month basis. We never book the order for annual because

the price of metal keeps changing. So, we keep our order book for 90 days on which we can hedge back-to-back with London Metal Exchange.

Amit Kapoor: And what is the order book looking like for the next 2-3 months?

Sheikh Naseem: Every month the company is doing, if you see for past last 6 months I can tell you, we started with roughly 78 crores or 88 crores for first month, second month, then we moved to 110 then 109, 107, last month we did 97 point something. So, we are doing it on a consistent basis of approximate 100 crores for last 6 months. So, I expect the performance is going to be slightly improving from here until this H2 ends. And after H2 next year I think there will be further increase by 5% to 10% into next financial year.

Amit Kapoor: And that's because of the Zambia operations coming to play as well?

Sheikh Naseem: No, Zambian operation is totally different. Zambian operation is basically a mining division. Mining division operations take time. Identifying the mine, doing the exploration and starting the mining is not going to happen in quarter. It's an investment phase. But in Zambian operation we will be starting some trading activity, from where we will be taking material from India and selling into the Zambian markets. That will be the first step that we are going to start in the second half of this year. Meanwhile the Zambian operation, actual mining profits are going to come in 2 years but the trading profits are going to start from next half and we are also in dialogue with some cable company there into Zambia where company is interested to buy their equities and step into the Zambian manufacturing business there itself into Zambia.

Moderator: The next question is from the line of Nitin, an individual investor.

Nitin: I had just a few queries on the point you Explained about the next year's revenue. You said that you are expecting to doing roughly 1,500-2,000 Cr in revenue in FY26 with a double-digit margin. So, double digit margin would that be a better margin I suppose, is that correct?

Sheikh Naseem: No. You have mixed two things. Double digit margins are going to come when the Zambian operations of mining will be in place. I will just make it clear, double-digit margins will come only when Zambian mining operation starts. You're getting my point?

Nitin: Yes.

Sheikh Naseem: Approx 1,500 to 2,000 crores is not including the binding operation sales. Mining operation will need 1-1.5 year. Double digit will come by FY26-27 if everything goes as planned. But our top line will be going to approximately 1,500-2,000 in FY25-26.

Nitin: And FY26, what would be the margin? Would it be similar to 5%-6% or would it be....?

Sheikh Naseem: You will see a growth of roughly 15%-20% into our margins.

- Nitin:** So, just one other thing, now you said double digit margins in FY27 probably in the Zambian operations, they will kick in. So, what would a PAT margin translate into in FY27?
- Sheikh Naseem:** If EBITDA is growing by 3 to 4 basis point, PAT definitely will grow by a minimum 3 basis point.
- Moderator:** The next question is from the line of Mahesh Seth, an individual investor.
- Mahesh Seth:** My first question is, can you outline the CAPEX plan for the upcoming year and how they will be funded?
- Sheikh Naseem:** Which plan, CAPEX plan?
- Mahesh Seth:** Yes, CAPEX plan.
- Sheikh Naseem:** As I have appraised you before also the company is planning to do some CAPEX into its subsidiary that is Shera Metal Private Limited where we are planning to invest roughly 15-20 crores into that project. Dialogue with the bank has already been started. Machines have been identified and if the term loan is done by next month, I can expect the completion of project by end of this financial year. By March we will be into production, and this is going to give another further increase into its top line by around 100 to 200 crores for next FY.
- Mahesh Seth:** So, around 15 to 20 crores in subsidiary, right?
- Sheikh Naseem:** Yes.
- Mahesh Seth:** And my next question is how does the company plan to maintain its competitive edge in the winding wires and strips industry?
- Sheikh Naseem:** Maintain its?
- Mahesh Seth:** Competitive edge in winding wires and strips industry?
- Sheikh Naseem:** The winding wire and strip industry, we are doing for the last (+25) years. So, we are into this business. This business we know very well and all the major players who need these materials, they know our company very well. So, to maintain this business has never been a challenge for us and to increase upon, we are constantly working on that and we are increasing our customer base. It started from Rajasthan, until last year were doing roughly 7 states, now we have raised more than 13-14 states in India.
- Mahesh Seth:** So, my last question is, just want your view on what kind of growth trajectory do we foresee for our domestic market in comparison to our international ventures?

- Sheikh Naseem:** If I see on year-to-year growth, I can see a company will be growing at a rate minimum 30% to 40% on year-to-year basis.
- Mahesh Seth:** 30% to 45%.
- Sheikh Naseem:** 30% to 40% growth will be there on an average or coming 5 years.
- Moderator:** The next question is from the line of Aditi Roy, an individual investor.
- Aditi Roy:** Are funds were raised via IPO of Shera Energy and Rajputana Industries fully deployed?
- Sheikh Naseem:** What is your question, is not very clear to me?
- Aditi Roy:** My question is are your funds raised through IPO of Shera Energy and Rajputana Industries fully deployed?
- Sheikh Naseem:** Fund raised through IPO?
- Aditi Roy:** Yes.
- Sheikh Naseem:** They have been utilized. They have been deployed.
- Aditi Roy:** My next question is what kind of growth we can expect in next 2 to 3 years with the various investments made?
- Sheikh Naseem:** If globally everything remains positive or stable, I can foresee a growth of 30 minimum, 50 around we will be growing on year-to-year basis.
- Moderator:** Thank you very much. As there are no further questions from the participants, I now hand the conference over to Ms. Chandni Chande for closing comments.
- Chandni Chande:** Thank you everyone for joining the Conference Call of Shera Energy Limited. If you have any queries you can write to us at research@kirianadvisors.com Once again thank you for joining the conference.
- Sheikh Naseem:** Thank you everyone.
- Moderator:** Thank you. On behalf of Kirin Advisors, that concludes this conference. Thank you for joining us and you may now disconnect your lines.