SHYAM METALICS
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SMEL/SE/2022-23/72 February 21, 2023

The Secretary,	The Manager – Listing Department
Listing Department, BSE Limited Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai 400 001 Maharashtra, India Scrip Code: **543299**	**National Stock Exchange of India Limited** "Exchange Plaza", 5th Floor, Plot No. C/1, G-Block, Bandra-Kurla Complex, Bandra (East), Mumbai 400 051, Maharashtra, India Symbol: **SHYAMMETL**

Dear Sir/Madam,

Sub: Transcript of the conference call for Un-audited (standalone and consolidated) Financial Results for the Quarter and Nine Months Ended 31st December, 2022

Pursuant to the Regulation 30 read with Schedule III of SEBI (LODR) Regulations, 2015, we forward herewith the transcript of the conference call with investors and analysts held on Wednesday, 15th February, 2023 for the un-audited (standalone and consolidated) financial result of the company for the quarter and nine months ended 31st December, 2022.

This is for your information and record.

Thanking You,

For Shyam Metalics and Energy Limited

BIRENDRA KUMAR JAIN
Digitally signed by BIRENDRA KUMAR JAIN
Date: 2023.02.21 16:49:28 +05'30'

Birendra Kumar Jain
Company Secretary

“Shyam Metalics and Energy Limited

Q3 FY ’23 Earnings Conference Call”

February 15, 2023

MANAGEMENT:	**MR. BRIJ BHUSHAN AGARWAL – VICE CHAIRMAN AND MANAGING DIRECTOR – SHYAM METALICS AND ENERGY LIMITED** **MR. SANJAY KUMAR AGARWAL – JOINT MANAGING DIRECTOR – SHYAM METALICS AND ENERGY LIMITED** **MR. DEEPAK KUMAR AGARWAL – DIRECTOR, FINANCE – SHYAM METALICS AND ENERGY LIMITED** **MR TRILOCHAN SHARMA- HEAD (INVESTOR RELATIONS)**
MODERATOR:	**MR. NACHIKET KALE - ORIENT CAPITAL**

Moderator: Ladies and gentlemen, good day and welcome to the Shyam Metalics and Energy Limited Q3 FY '23 Results Conference Call organized by Orient Capital. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star then zero on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Trilochan Sharma. Thank you, and over to you, sir.

Trilochan Sharma: Thank you. Good afternoon, everyone, and thanks for connecting with us on our third quarter and nine months financial figures. On behalf of Shyam Metalics, I am delighted to welcome you all on this call, particularly our shareholders and our industry analysts. Thank you for taking the time to discuss our Q3 and nine months FY '23 earnings. Our results and a detailed investor presentation has been uploaded on the website. I hope everyone had a chance to go through.

To discuss with our results, we have with us, our Vice Chairman and Managing Director Shri. Brij Bhushan Agarwal-ji; Joint Managing Director, Shri Sanjay Kumar Agarwal-ji; and Director, Finance, Shri Deepak Kumar Agarwal-ji. They will take you through our results and then we will proceed for the question-answer-session.

Before we proceed formally, a disclaimer please. This conference call may contain some forward-looking statements about the company, which are based on the beliefs, opinions and expectations of the company as on date of this call. The actual results may differ materially. These statements are not the guarantees of future performance and involve risks and uncertainties that are difficult to predict. A detailed Safe Harbor statement is available on Page 2 of the company's Investor Presentation.

Now I would like to hand over the call to our VC and MD, Shri. Brij Bhushan Agarwal-ji. Thank you. Over to you, sir please.

Brij Agarwal: Thank you, Trilochan-ji. A very good afternoon to all the participants and thank you for joining us on the call to discuss our third quarter nine-month FY 2023 financials and business performance.

This time let me start with a few new important appointments. We are glad to have Mr. N. G. Khaitan to join our Board as an Independent Director and look forward to draw from his immense knowledge and his guidance in the pursuit of making our company an institution. We also wish to inform that our Board has appointed KPMG as an internal auditor with an additional mandate to review the -- internal financial controls.

We have now taken a control of Ramsarup in the previous quarter and after detailed examination of the existing plant, detail study was carried out by the senior engineers, respective consultant and we came to a conclusion that in the first phase of our Board, we are -- and taken a decision to revise the existing facility at Kharagpur with 315 acres of land with railway siding, which has a power plant, sponge iron plant and a blast furnace.

We have the new consortium of owners have identified to kick start with a few existing facilities with an outlay of INR 747 crores. The DRI with an estimated capacity of 1,50,000 TPA and captive power plant of 20-megawatt generation is expected to be commissioned by September 2023. The existing blast furnace of 4,50,000 TPA capacity is proposed to be revived along with the Sinter of 12 lakh ton capacity by December 2023. Further in the pipeline, additions of the oxygen plant of 150 TPD and Coke Oven plant of 2,50,000 ton capacity slated to be operational by September 2024 and March 2025 respectively.

Related to the Cold Rolling Mill, that is a CRM, our Board has also consented to set up a greenfield project for the cold rolling mill spread out in 94 acres of land at Jamuria, West Bengal. The project shall be carried out under the wholly-owned subsidiary named Shyam Metalics Flat Products Private Limited. The project has been approved under the PLI scheme of the central government.

In the first phase, we should set up the plant with a capacity of 2,50,000 ton capacity to produce the following products like GI-GL, coils, color coated PPGL prepainted galvalume coils. We shall further add 1,50,000 ton capacity in the second phase. The total capital outlay is estimated at INR 603 crores, which shall be incurred through the internal accruals.

The demand for the color coated sheet is multi-fold to be it in the appliance pre-engineered building, warehouse, roofing, cladding, commercial building among others. The demand is at the mid double-digit and with the focus of the sector, the demand will further grow. According to the growth market report, the color coated steel market is likely to register a CAGR of around 4.9% in the forecast of 2022 to 2028 with an anticipated valuation of $35,588.7 million by the end of 2028.

Regarding the low carbon ferro-chrome we have variety of ferro products, which continues to contribute to the revenue. We have implemented the 40,000 ton per annum capacity of LCFC in the month of December '22, which is special offering and which shall endure us to our customer further for meeting another of the diversified and specialized requirement.

We have also been able to complete 1.2 million ton pellet plant slated to be completed in September '23 ahead of schedule by eight months. Similarly, the other pellet plant of 1.2 million ton is also slated to be completed by March '23, again, six months ahead of schedule. We have incurred a capex of INR 2,497 crores till December '22, which accounts 63% of the total capex emphasize out of INR 3,950 crores and INR 1,574 crores is going to be capitalize out of INR 2,497 crores. We have incurred a capex cost of INR 968 crores in nine month FY '23 for our brownfield capex announcements in the IPO and further in March '22.

Overall, our revenue from the steel product now contribute 70% of our revenue in nine months FY '23 as against 60% in nine month FY '22 and this increase of 10% has come from the finished steel, so contribution has increased to 45% as against 35.7% in nine months FY '22. Our revenue has grown in line with our expectations with value addition product increasing the contribution in the product mix.

There is continued traction in the Aluminum Foil business with the packaging solution, Durable International Manakin Industries, Cartonal Italy placing order with us. In nine months, 9% of the revenue has come from the export which is noteworthy that 14% of the export revenue has come from the sale of the aluminum products. We are able to sell 7,875 metric ton of aluminum products in nine months FY '23 contributing to our revenue.

We expect and keep exploring new opportunities in the metal space to obtain the synergy with our existing manufacturing facility. This enable us to keep our operating cost under control and which we believe is very essential for the reporting profitable revenue. Increased contribution from the recent added capacity along with the product diversity and higher share of the value-added products would drive the operating and financial performance well into the forthcoming financial year. We are confident that the era of higher energy costs are now behind us and your company should be able to deliver normal profit from the next quarter onwards. Our expansion plans are well on track. We will strive to grow holistically and generate value for our respected shareholders.

With that, I conclude my portion of speech. And I would request our Executive Director, Mr. Deepak Agarwal, Finance, to take us through our financial performance of the quarter under the review of nine months of the current financial year. Thank you so much.

Deepak Agarwal: Thank you, sir. A very good afternoon to all the participants and thanking you for joining us on the call. I will give a quick review of the reported consolidated financial for the quarter under review and for the nine months. On a consolidated basis, the company for the Q3 of the financial year 2023 reported a revenue of INR 2,921 crores, a growth of 13% over the last year Q3. We have been able to sale, higher percentage of volume sales of Finished Steel has enabled the company to overcome the rise in input cost and decline to finished steel prices. As a result, our EBITDA for the Q3 of the current financial year on a consolidated basis at INR 222 crores, decline of 65% over the last year of Q3.

Just to drive home the point, an increase in the raw material cost to operating revenue by 1,167 bps in Q3 of the current financial year over the Q2 of the current financial year. Mainly attributed to rise in the energy cost and additionally increase in the other expenses to the operating revenue by 424 bps in the Q3 of the current financial year over the Q2 of the current financial year has led to the decline.

Simultaneously, there was a decline of 5% to 9% across product in realization, which led to the muted performance. There has been an increase in the short-term borrowing to take advantage of lower iron ore fine prices and simultaneously increase in the interest costs have led to higher finance cost. Our capex expenses are in a schedule to led higher capitalization which cultivated into the higher depreciation has led to the lower PAT of to the tune of INR 65 crores in the Q3 of the current financial year.

Now I will quick review the nine month financials. For the nine month financial of the current financial year, we reported a revenue of INR 9,230 crores, growth of 22% over the last year nine-month performance. In terms of the revenue mix, the higher value-added segment accounted for 45.5% of the nine month of the current financial year revenue as against the 35.7% in the nine month of the last financial year, that is '21-'22. For nine months of the current financial year, we reported EBITDA of INR 1,072 crores decline of 45% over the last year nine-month performance. In nine month financial '22, we reported an EBITDA margin of 25.7% and we achieved EBITDA margin of 11.6% in the nine months of the current financial year.

The era of high energy cost seems to be now behind us and going forward we shall be reported normal profit. Let me reiterate here that the financial year '22 was a super-normal year for our industry and we may not see such higher profitability in the near future. We are focusing on improving the product mix, operational efficiency, cost optimization to maintain the healthy margin.

We would further like to update the floor on the resignation of Ajay Choudhury and Mr. Venkata Krishna Nageswara Rao Majji, who have been proposed to quit Directors in the company, citing their personal reasons. Our strategy has always been to incur the capital expenditure in a smaller doses, in a piecemeal manner to ensure that the balance sheet is never strict. At all point of time, we close monitoring the liquidity, solvency and capital efficiency ratio.

I would like to assure you that the company sustained a healthy financial risk profile despite the pursuance capital expenditure plans for the remaining INR 1,453 crores over the next three year added by internal cash generation and sufficient liquid surplus, which will ensure we take only limited debt in the event of any fund flow mismatch. Apart from above the INR 968 crores, already spent till December 2022 for the existing project, further spend of INR 300 crores is expected in the last quarter. we shall further spend INR 974 crores in the financial year '23-'24 and INR 179 crores in the financial year '24-'25 to complete our entire expenses of INR 3,950 crores, which was announced at the time of IPO.

As far as acquisition of Ramsarup is concerned, we have already spent INR 228 crores in the financial year '22-'23 and we'll spend another INR 32 crores in this quarter and further spend of INR 295 crores is emphasized in the financial year '23-'24. And INR 122 crores, which will be incurred in the financial year '24-'25 to complete the project plant revival and expansion of INR 747 crores. As far as CRM project is concerned, the year-wise capex spend, the spend is planned as follow in the financial year '23-'24 we will be incurring INR 183 crores in the financial year '24-'25, INR 387 crores and the remaining INR 33 crores in the financial year '25-'26 to complete the planned project of INR 603 crores as we already discussed.

As far as -- I would also like to explain that are pellet capacity stand at 4.8 million ton post our early implementation of 1.2 million ton in January 2023, which shall further increase to 6 million ton post-implementation of 1.2 million ton in March 2023. Our sponge iron capacity is now 2.3 million ton per annum, with the implementation of remaining three kilon of 600 TPD our capacity shall enhance to 2.9 million ton per annum.

We have also enhanced our steel billet capacity from 0.9 million ton to 1.7 million ton presently and shall reach to 2 million ton by June 2023. As far as long product is concerned, which comprises of TMT structures and pipe, we have already announced from 0.8 million ton to 1.67 million ton and shall reach to 2 million ton by June 2023. I would like to assume that the bank limit utilization at a consolidated level is expected to remain moderate even going forward. Also, the annual cash accruals should suffice for the capital expenditure requirement and debt repayment.

Now I conclude my portion of speech and throw the floor open for the questionanswer session. Thank you to everyone.

Moderator: We have the first question from the line of Amit Dixit from ICICI Securities.

Amit Dixit: Good afternoon everyone. Thanks for the opportunity. Congratulations for the decent performance in a very challenging quarter. I have three questions. The first one is essentially on coal cost in Q3, thermal coal cost in Q3. What was the thermal coal cost and how do you expect it to change in Q4? Because I believe all the benefits of thermal coal cost are still not booked in the P&L. That is the first question.

Brij Agarwal: See right now, the coal cost is slightly declining. Internationally, we are seeing that the coal prices are going down, as well as the availability of the domestic coal is increasing. In between the embargo of the government for the supply of coal was there, they were not giving the coal against the linkages, and they were directing lot of coal to the power plants. So things are little bit better on the good side, I would say. And in the time to come, I would not see that there will be a very great change in the energy prices because still we are at a geopolitical issues are there, there's lot of disruption in the coal supply, logistics issues are there, but definitely the coal prices are going to come down.

If you see earlier the price what was floundering earlier at the level of, INR 3 per GCV kilo calories, now it has come down to around INR 2, INR 2.5 in between. So price are on the better side. But I would not say it is the best. We're still looking it to get normalized, which might take another three, four, six months in the geopolitical conditions, how the largest peers and what are the challenges we are seeing down the line with the Coal India supply.

And where the numbers are concerned, Deepak, can you just share the numbers?

Deepak Agarwal: Yes. If you see the coal cost in the third quarter was around INR 12,500, our landed cost INR 12,500 to INR 13,000 in the third quarter. When we talk about the Q2, it was INR 13,500 and presently also in the same range. It will vary in between INR 12,000 to INR 12,500.

Amit Dixit: But don't we see that the domestic thermal coal availability increasing a lot of aluminum players mention that they are getting a higher proportion of linkage and e-auction prices coming down. So Q4 could be much better? I mean, of course, the summer months are there I know in Q1 FY '24, but Q4 could be better and e-auction premium might not go to the similar levels as we have seen in the recent past?

Brij Agarwal: Yes, 100%, I agree totally, Amit. The coal prices are going down, because there was some old stock at the old price, there was some fluctuations also on the dollar side as well on the import of the coal , but it is going down and it is rapidly going down. From today's side, whatever it is today at the level we are not seeing a very great correction. So this is the best time for the coal prices on the availability side on the mining side and the other areas.

So I see in the time to come at today's number, whatever the price is floundering today in the thermal coal, it should remain stable. I don't see a very great chain, because already there is a correction of more than 30%, 35%, 40% in last two months, two to three months. On the auction side also, if you see the prices have gone down.

So but down the line I see there will be a great improvement in the supply side, because the Coal India is also ramping up the capacity and it might take one quarter here and there, but yes, with the reserve what we have, as you know, we are world's second largest producer and we have the great reserve in our country. The government is also very serious on the mining front, and lot of new mines are also getting auctioned and whatever the mines was auctioned two years before, I think we will start seeing some kind of a penetration in the mining in the private sectors also.

So one side, the demand is going to be converted from the open market to the captive mines and also the production is going up. So we are very positive that lag between the time to come, there will be a very, very sustainable and the pricing will be on the better side.

Amit Dixit: Second question is on the iron ore. You indicated in your prepared remarks that some amount of money went in working capital accretion, primarily because of opportunistic iron ore inventory buildup. And if I look back to be the right decision because the way Iron ore prices have gone up in the country, in Odisha as well as NMDC's own iron ore prices. So what could be the what iron ore costs can we expect in Q4, even if you can give the percentage increase, that is fine.

Brij Agarwal: See, after the withdrawal of the export duty on the fines and pellets and there was some correction of the coal prices, steel prices in China, there was a demand of iron ore pellets and the iron ore fines in the Chinese market. But today, now there is now, there is a correction like the Chinese prices of the iron ore has gone down, like the level at what it was earlier, 20, 25 days before and now. There is a correction.

But internationally, there is not a great demand in the steel. So if you see when the iron ore price goes up, there is also the steel prices goes up. So it may be some kind of one quarter cycle where we get effect and we see the variations on the cost versus the market price. But I don't see in the time to come there will be a very great change from today onwards on the iron ore price.

Moderator: We have the next question from the line of Anand Shah from JB Capital.

Anand Shah: Sir, I read that we have some plans of entering into the coated products industry. So can you please highlight the capex plan for the cold rolling mill and how you are planning to tap into this industry?

Brij Agarwal: See, Anand, the total capex is going to be around INR 600 crores approximately and that we are doing in phases. First phase is going to be around INR 350 crores and the second phase we'll be investing another INR 250 crores. Now cold rolling mill is like we are in a very big way now in the retail management of long product businesses and we have our own dealers and thousands today in the Pan India side and where we see there is lot of potential. So seeing the excess supply of HR in the market and in Eastern India there is a great demand and we are now in the gateway of seven states and we have a very strong foothold on the long product business on the retail side.

So this is going to give a great energy for us to increase our margins, increase the bottom line of the company by entering into a new product and since on the Eastern India, we all know like the Bengal side, there is no much color-coated plant and it is a great market comprising of Northeast and being, it is a kind of a greenfield and brownfield project because the major infrastructure is already in built in the plant where we are doing a Brownfield project adjourning the existing land.

So we will be able to capitalize more on the infrastructure side and from the supply chain management side also, we are very strong. Like if we are going in the color coated market after two years down the line we have enough ample of appetite to look forward on the backward integration once we create a market on the flat product side.

So on the overall synergy side, there is going to be a great potential and as well as apart from this, there's lot of exports happening in the color coated specialized product and on the thinner sections at all, which we see as we are really very near to the port and we will be able to capitalize on the logistic cost and on the quality and the specialization of the color coated products where we are planning to design our model.

Moderator: We have the next question from the line of Prashant Kumar from Emkay Global.

Prashant Kumar: Sir, Thanks for the opportunity. Sir, in the past you had said that the thought process was that since we are in the middle of coal-rich belt and we have this availability from Coal India, so there may not be need to bid for coal mines that come up in auctions. But now if you see quite often we face the situation where there is very high demand from the power sector and volumes need to be diverted thereby Coal India and there is an obligation for them to do so and things like that. Sometimes lease doesn't other private players in this one, uncertainty. So is there a possibility that we'll look at auctioning coal block auctions when they come up pricing is reasonable?

Brij Agarwal: See, we have a very distinct advantage of our plan in the coal belt, and we are participating. But we are very prudent on the acquisitions of any coal mining business, because it is a very capital-intensive with lot of challenges. But if we get something at our desired number and we are able to capitalize on the logistic and the quality side, we are serious on this. But we are not looking for any kind of a desperate number, doing an acquisition and we all know that coal in the time to come, it's a dying mineral.

And if you buy today anything in the long-term for next 20, 30 years, it's not going to have any sustainable value. So this is a very, very temporary phase because we, worldwide globally, the energy is completely shifting from coal to the other fuel as we all know. But yes, definitely we are lower, but at a desired number, which we see that we will be able to sustain for next 15, 20 years minimum. Yes.

Prashant Kumar: Sure Sir, understood and completely agree, pricing is the key over here, when it comes to acquisition. Sir, my second question now sir, if you see, Shyam has done it before so well and has been doing it over the years that selling steel, making good quality steel at reasonably good prices and costs and of making decent amount of margins, like more or less mastered this art of running a steel business. But now, you have been doing it in the 1 million, 1.5 million scale. Sir, now given if our net worth conditions criteria etcetera, meets the requirement of this assets that are being sold, would you be ready to take a big planch, let's say, why not look at NMDC's asset, why not look at RINL, because that asset itself will generate some cash flow and the interest servicing etcetera, from the existing operations, as well as the new asset all put together maybe we will be able to manage it and you have all the skills that is just about taking that big leap on? Just wanted to know your thinking.

Brij Agarwal: Thank you personally to encourage us, but believe me these assets are very, very expensive. And today with our kind of a prudent working with our down the line whatever capex we have, we have enough commitment and we have the capital allocation policy in our company is extremely strong. And I actually doesn't feel very encouraged with these kind of acquisition, because these are white elephants and they have multiple challenges, which we are not aware of. Like if you're -- RINL doesn't have a coal iron ore linkage, NMDC doesn't have iron ore mines with the steel plant, it is very remotely located in the Naxalite belt, lot of challenges are there.

Resources, stabilization in these kind of plants are actually too risky. So we are actually not at all looking for. And since we have so much acquisition, so much brown expansion going in our existing plant, and when we did an IPO, our total integrated capacity of the production was around 5.8 million, 5.9 million, and in just 18, 20 months, we had been able to almost double it and we all know, like we are targeting of around 14 million tons in next one, 1.5 year with so much capex coming up in the system.

So neither my balance sheet, your company balance sheet allows to go for these kind of a large acquisition, neither I see any synergy on this strategy and I see there is lot of potential in our existing businesses by creating more value-added, more going B2C and create more sustainable and more strength foundation in the existing businesses rather than creating -- getting into the entry of the new challenge in new area and new domain, where I don't see any great value as a company, I will be able to add.

Moderator: We have the next question from the line of Ashish Kejriwal from Nuvama Institutional Equities.

Ashish Kejriwal: Good evening everyone. Thanks for the opportunity. Sir, my question is on thermal coal, which we are seeing that second, third and fourth quarter we are not seeing any major change in the prices unless other metal companies which we have shown that 15%, 20% correction is there.

So my question is, when can we expect to see lower coking coal or thermal coal prices in our P&L? One is that.

And secondly, in terms of iron ore, is it possible to share how much quantity we have booked it at a lower price?

Brij Agarwal: Yes. So the coal prices are going down and we will slowly, slowly see the effect and we had not really purchased a very high value of coal, because we were sitting on the good inventory with a good long-term contracts, and we were getting the linkages coal, but last two quarters we had been able to average out with our own coal, but I think in the time to come it is very difficult for me to right now say in that what will be the number of the coal, but I can just simply shared with Amit as well.

The prices are softening up and it is totally right now something which is beyond anybody's thought process like geopolitical situation, which is everybody is suffering. And the best thing for our company is like we are completely depend on the thermal coal, where we are seeing the prices are going down. But if you see the other conglomerates where they are working on the coking coal price, the coking coal price in last one month from $260 shot up to almost $350.

So the one thing is like when we see the other conglomerates cost going up and our price going up, the market is going to give a gain to our company. And in the time to come, related to the thermal coal, it depends completely on the geopolitical conditions and the mining plan of the Coal India and the strategy on the logistic what they play.

But definitely, I can tell you like, I don't see any kind of a further kind of inflammatory growth in the energy price and completely optimistic on the side of the coal price since it is going down. May not be this quarter, may not affect very largely, but down the line, we'll see slowly, slowly the cost is going to get rationalized and we will slowly, slowly come to our park level.

Ashish Kejriwal: And what about iron ore, iron ore which we have booked at a lower prices?

Brij Agarwal: We only discussed. We have discussed, I've shared all this view with Amit, when he was asking the last question.

Ashish Kejriwal: No, I was talking about the quantity, which we have booked at earlier prices? Is it possible to share?

Deepak Agarwal: Ashish-ji, as far as quantity is concerned, we have already inventory of iron ore around 1 million ton at an average cost of INR 4,000 per ton.

Ashish Kejriwal: INR 4,000?

Deepak Agarwal: Yes.

Ashish Kejriwal: And sir, secondly, this is somewhat trying to understand the management thought process of business. We were long product producer. We quite often we changed our way setup Aluminum

Foil then we shifted to setting up cold roll milling, stainless steel also long product obviously we are doing.

So by looking at all these things, really difficult to understand means our long-term thought process. Obviously, you try to manage the volatility in the business. But being a steel producer, isn't it more prudent to go for in a market where you can mark yourself in a much, much bigger way rather than going into stainless steel, aluminum foils, cold roll mill, all these things? Thought please.

Brij Agarwal: Yes, very interesting question. You know, when we are talking of the stainless steel, I would just like to remind you, like more than 85% of the ingredient of making stainless steel is produced within the domain and the product of Shyam Metalics. When I say 85% of the ingredient, that means iron, that means chrome, ferro-chrome, that means ferro manganese and other. So when we are doing stainless steel, we are adding, we are getting into the largest space of the larger EBITDA business and the niche business.

And what we are planning to do is we're trying to convert our raw material of the stainless steel, which is our existing product into the finished steel. And when we have a domain, when we are doing everything within our own setup, we understand we deal with lot of stainless steel customer, we know what is the value I can add to the company. And when we are discussing on the long product side, we can do 4 million ton, 5 million ton. But when we are focusing on B2C business, we can't think of growing 100% or 50% on the long product side.

So we have to plan a very diversified mix where we see, today we are working on the seed investment basis it's not going to be a major investment. I'm not talking of a $1 billion or $2 billion investment, but we are doing a seed investment. We'll take another one, 1.5, two years to stabilize, but we know what is the business we are getting involved in.

Our customers to whom we are supplying long products, the engineering companies, they are our existing customers and they buy a lot of stainless steel wire rod, our institution valued customer like NHAI has a good demand of the stainless steel TMT product, which nobody in the country is doing now. We are developing the new specification in the coastal line in the coastal line bridges where they're putting the pre-conditions that everything will be done with the stainless steel TMT bars.

So we are at a very right stage and this new investment with our kind of a balance sheet, we have to be innovative, but yes, strategically, we have to see why we are not doing and why we are doing. So I see there is a great potential. And once, after one, 1.5 years, once we are able to get completely in the business, we can look for the other businesses, as well as the stainless steel, because there I see lot of value where energy, we are captive energy producer, we are captive iron producer, we are country largest ferro alloy producer. I see lot of synergy in converting the raw material into the stainless steel.

And regarding your second question, like when we are talking of the CRM side, cold rolling mill is also in the same supply chain management. It is just a converter, where we are going to capitalize on our supply chain management business. And our strength of marketing portfolio where we are doing B2C market and we know how to penetrate and convince and strengthen our existing customer comfort and also increase the top-line and the bottom-line of the company.

When I'm talking from the third side of the Aluminum Foil, today your company is exporting almost 75%, 80% what products we are producing and in the worst of the geopolitical crisis in the European market. Still we have been able to stabilize our product, the demand is not that good, I totally agree because of the slowdown worldwide, but still the company is doing fairly well. And then last seven to eight month of operation today, the complete operation has been stabilized and now the value what we are looking for is something different.

If you see a company, there's a company called Nucor in America, and we feel that when we do any flat products or any long product, a company like the India largest company, they have gone into a negative growth. We have to see like how we can create a sustainable model, how we can create a model where we can de-risk. Today we are doing ferro alloy as well. We are selling pellets as well. We are selling structures as well. We are selling everywhere, whatever we are doing. I'm not saying I'm the best or we are the best, but we are pretty decent and we are very confident of our management skills and the operations on the strategy side, on the supply chain management side and we have to be little bit innovative in the business.

We just can't sit on one product. And for the wait for the growth of the country to come. So we have enough cash in our business, we have to invest. We have to invest on the product where we can further grow and these kind of products where we are growing is very well established. Technology is not challenged, management operational skill and marketing skill is not a challenge. So this is a strategy where we feel like maybe if you're starting with some seed investment today after two years, we might request on an approval of a larger capacity going backward as well making into a different kind of a segment and add value to the shareholders.

Ashish Kejriwal: Sure. I think we fully agree with your diversification. But the only issue is that it's very small, small things, so company at large will directly not get benefit of likewise Aluminum Foil if you go deeper into it, that's better; like CRM, if you go bigger, then it's better; or stainless steel, if you go bigger, otherwise small, small investment that will help in our EBITDA generation, but at least for the valuation of the company, it doesn't bode much well in that. That's only my limited point.

Brij Agarwal: See, when we are talking from the CRM side, we are talking of almost less than 0.5 million ton. I know the major advantage what we get is on the logistics side, when we are near to the customer. We know what is an advantage we get on our supply chain management side on the dealer network from the TMT side. If I ramp up the capacity to a 1 million ton, maybe the oversupply might put lot of capex load, as well as the efficiency load on the marketing side.

When we are talking from the stainless steel side, I think, if you see the cost is one of the major mantra. And when we see that, the country largest conglomerate, they are buying a lot of raw material from us and they're are making good money and the product what I see down the line, we don't see any challenge because you know when we are doing a carbon steel we can do stainless steel and whatever product we have setup till-date today, we are country largest producer of foil.

A company like Hindalco has not been able to set up and do a market of this quantum of foil what we are doing. So we are not looking for anything which is general. In foil also what we are doing is a 6 micron foil, where the world's largest conglomerate of Aluminum has not been able to develop that size of foil.

So there has to be a USP in the business. We are not looking only business as a business. Our main mantra is like we are looking the USP that why we should be in the business and what is the product, which is going to encourage our investors in the time to come to state that yes, how de-risk is the company, like if there is any foil in the flat put up, all the biggest company has gone in the negative balance sheet but Shyam Metalics has not gone into a negative balance sheet, because of the distinct advantage of the multiple product.

We know how to balance the cash flow. We don't want to depend on one business and we are working all the businesses, which are into the metal space. So our ideology front and with our past experience of 15, 20 years, we are still maintaining the same.

Ashish Kejriwal: And sir, you are silent on Mittal Corp acquisition, any update on that?

Brij Agarwal: Deepak can you please share this?

Deepak Agarwal: Yes, as far as Mittal Corp is concerned, the COC and RPs requesting the existing RA to revise their bid. So we are in the process of revising the bid and submit maybe in a day or two.

Moderator: We have the next question line of Abhijit Mitra from Aionios Alpha Investment.

Abhijit Mitra: Thanks for taking my question. I have just two quick questions. Firstly on the volumes, sponge iron and pellets. How do you see numbers to sort of pan out over the next couple of years? And I could see that you have also announced an investment in Ramsarup. So including that there's almost an INR 2,600 crores of capex planed out. What would be the schedule of that capex over the next two to three years? So these are the questions I had. Thanks.

Deepak Agarwal: Yes. As far as Ramsarup is concerned, the total capex outlay for Ramsarup is INR 747 crores, which comprise of various facilities like 1.5 million ton of DRI, 20 megawatt of power plant and 0.45 million ton mini blast furnace, 1.2 million ton of sinter plant, coke oven plant, and at oxygen plant.

As far as commissioning is concerned, the DRI and CPP will be commissioned in the September 2023, and mini blast furnace and sinter will be commissioned in December '23 and coke oven and oxygen will be commissioned in March '25 and September '24. As far as capex cost is concerned, we will be incurring in the next three year and in the first year we will be incurring approximately as far as Ramsarup is concerned, we will be incurring a capex of around in the year '23-'24 INR 295 crores and INR 121 crores in the year '24-'25 and balance is '25-'26.

Brij Agarwal: So let me take over. Abhi, Ramsarup is actually it is well established plant. We have a blast furnace. We have a DRI plant, we have a power plant. So we are revamping the plant, because the plant was designed seven, 10 years before and now last four, five months after the intensive homework exercise and we want to build up the world-class plant.

So all these capex which is going to come right now is majorly on revamping the plant, because the plant was shut down for almost more than seven, eight years and there's a lot of change in the technology, the coke consumption in the blast furnace is very low. We are putting up a PCI. We are putting up the livestock. We are putting up the hot stove where we are able to increase the temperature of the blast furnace and we have hired the foreign consultant.

So this is the capex where we are investing right now. We don't want to go into any major pieces, maybe in down and to come we are still reviewing like what we are going to make, what we have to do in the down the line once we get the numbers, behind the ROI, we understand the ROC, the businesses is around, we will be evaluating further. But majorly now our major stand is that first we have to revamp the plant and restart it.

Relative to your DRI question, I would just like to state approximately close to less than 0.5 million ton maybe 1.8 into 3 is what? 1.8 into 3, around 0.5 million ton is going to be commissioned in next three to four months. So we'll see 0.5 million DRI coming up in the coming years. And this is going to add to the extra volume of the DRI, because we are not adding any other SMA shop right now.

And what we are adding right now is more on the DRI side, so that whatever DRI we have consumed in our steel making you see there is a deficit growth of the DRI seen in the businesses and the new DRI is again going to fresh to the market with the pellets like same by if you see the pellet steel volume has gone down. So this is basically the strategy, the additional pellet is going to be consumed in the DRI for the due DRI extra pellet will be sold in the market.

See, we all should be extremely proud of the way we had done the modeling of the specialty alloy, all the businesses are generating cash, EBITDA is positive, all the business performance on the PLI level is decent. I'm not saying that we are the best and we have to grow in the interest of the company, because we have to create a different species in metal. I don't want, we should be compared as one of the flat product manufacturer overnight. We make INR 8,000 crores early morning we come out with the negative balance sheet with one issue of the market at the coking coal side.

So if you see the energy price, how we are working on that, most of the energy we are getting from the co-generation. We are adding the DRI is going to generate more power the coke oven plant, which is going to come in the coming year is also going to generate more power almost, I would say close to 100 megawatt of power what we are going to generate in the coming year is going to be from the co-generation and the co-generation is zero cost from the fuel side, so it is going to add lot of energy and synergy in the business. And all the new facility of DRI and all is almost like forward and backward integration, it is a brownfield project.

And you see the capex side, you see the capex of the pellet plant for setting up 2.4 million ton pellet plant what Shyam Metalics has done 1.2 is almost 60% of the standard cost and we have completed the project ahead of schedule. So whenever we do any project we definitely we evaluate the return on capital and it's not that we are doing a magic, because of a recent engineering team, our expertise, our confidence on the business, our strategic location, we see that we can add value and we always compare from the competitors from the peer that whatever project we are doing, what is the extra value we are adding to our businesses and why we should be in the business and why we should not be in the business.

So that is the reason in most of the third quarter when we see all the metal stock performance is okay-okay type. Apart from that, we have been able to sustain ourselves because of our multiple baskets, our strategic planning, our strategic location, a good teamwork, a low capex, project ahead of schedule. So these are so many mantras of Shyam Metalics, including the leverage debt interest cost, proper raw material planning. So this is finally we come to a better result. Thank you.

Moderator: We have the next question from the line of Arijit Dutta from Kotak Mutual Fund.

Arijit Dutta: Thanks for the opportunity. Three questions from my side, starting with aluminum. Sir, we have 40 KT capacity. So per quarter is 10 KT. So how much is our sales in this quarter?

Brij Agarwal: See the 40,000 ton capacity is the installed capacity of a standard micron of 20 micron size. So what we are doing, we have developed a specialized section of 6 micron, which we are exporting to the international market. So we are selling, we have reduced the quantum, and we have increased the premium.

If you see on an average, I would say for the product what we are manufacturing more than 60%, our average premium is around INR 40,000 to INR 50,000 EBITDA business we are doing. I'm talking about the average side. So this is something where we have learned in our aluminum business that we are looking and catering to a product which fetch a very high premium and there are very few suppliers worldwide.

And Deepak what is our aluminum side of this nine months like after this commissioning and all what is the -- can you just?

Deepak Agarwal: Yes. In the third quarter, we are selling our aluminum foil is 3,461 ton. And we talk about the second quarter 2,837 ton.

Arijit Dutta: Can you repeat the number? 2,461 is in this quarter?

Deepak Agarwal: Right. In the third quarter 3,461 ton.

Arijit Dutta: Just one question like if our capacity is 40 KT for 20 micron. If we assume that the entire capacity is like converted into 6 micron, so what will be the equivalent capacity we can think of?

Brij Agarwal: So see, approximately, I will not be able to answer you right now, but on an average, it should be somewhere around say 25,000 tons.

Deepak Agarwal: Yes. Should be approximately, maybe 2,000 plus or minus, since you are asking me a question I'm trying to be little.

Arijit Dutta: No. I am just wanted to be about the direction, not exact quantity.

Brij Agarwal: You must come. When you are in Calcutta, you must come and see this plant. I think seeing is believing.

Arijit Dutta: Absolutely sir. Our visit is pending to the entire plant. We'll make sure…

Brij Agarwal: You must come and see, and we will explain you more in detail. And my CEO will be there, so he'll be able to explain more detail about the value what we are doing. And today we are exporting to the world best companies, Manakin, Osala they are the world conglomerates in this world, customers. So we have been established ourselves as one of the best supplier by them, with the quality and all with our consistency.

But I'm not saying we are the best. There is a lot of things to learn. We are doing a lot of value addition in aluminum also down the line, we are putting up a small lubricating line, where I think there is a good scope of the lubricating foil also, which has a very special market. We are working on the alu foil which is nobody is doing in the country expect very little Hindalco is doing. So we have to get ourselves into that space also. So now, the plant is well established, well stabilized, operationally wise touch wood, hardly any issues. But now we are focusing more on the new product value addition and I think by March-April onwards. We can see this, lot of lot of change in the aluminum.

Arijit Dutta: These is very nice to hear that. We can plan in March at your convenience, sir. How much is the EBITDA that we made in this quarter from the aluminum business?

Deepak Agarwal: We are at par we are not getting so much EBITDA in the aluminum. We just, because it is…

Brij Agarwal: That is because I'm telling you, just a minute, we entered in the business in the month of February-March and at that time we had purchased lot of aluminum foil, which was LME peak and the highest price, June as the LME, because of the aluminum. When we stabilized our product, lot of material what came out, we had to sell it LME plus converting price.

So this was a little bit on the fluctuation side of the raw material, which has affected the -- in the tune of around maybe in the tune of around INR 50 crores to INR 60 crores is the fact that what we have due to the raw material pricing index and all. But on an average today I can tell you, last month, almost, we made an EBITDA of around INR 5.5 crores, INR 6 crores from the aluminum business. And down the line from February-March, we expect that around INR 7 crores to INR 8 crores EBITDA we will be making from the aluminum business every month, approximately.

Arijit Dutta: And if we take the revenue of aluminum, so this 4% of their total revenue that implies around INR 120 crores divided by three, so almost like INR 40 crores, so out of INR 40 crores, we're making almost INR 6 crores, that means 15% EBITDA margin. Is that what you're saying, sir?

Deepak Agarwal: Yes.

Arijit Dutta: So this number around INR 5.5 crores, INR 6 crores per month is on a revenue base of almost like INR 40 crores. Is my assumption correct?

Deepak Agarwal: Yes, revenue are INR 40 crores very correct. Yes.

Arijit Dutta: Sir, my second question is an extension to Amit and Ashish question, because I also couldn't understand, we are actually looking for this coal cost. For example, as you mentioned INR 3 rupees per GCV to INR 2.5 or INR 2 per GCV. So if we assume that our coal cost was INR 100 in December quarter, can we expect around INR 70 on that base coal cost in Q4 only, assuming that we have a one-month inventory, we have a fair visibility of Q4?

Brij Agarwal: I have to really, we have to really work out and then we would able to revert, Arijit, honestly speaking..

Arijit Dutta: Yes, because we sounded like as if although prices…

Deepak Agarwal: I'll ask my office to send you a note on this. They will work with the figures and give you a update on this. I think I would appreciate that.

Arijit Dutta: Second, on the iron ore also, one month, 1 million ton is our inventory versus what would be our inventory in a normal course of time?

Brij Agarwal: Sorry?

Arijit Dutta: Normally, how much this 1 million ton of inventory is equivalent to how many months of production inventory?

Brij Agarwal: Two-and-half to three months.

Deepak Agarwal: We are maintaining 90 days inventory. And when the price was going down, then we will extend our inventory level to 120 days. When the price was going up, then we will maintain the inventory between 45 to 60 days.

Arijit Dutta: So currently we are having a 90-day inventory kind of thing, understood. Sir, this INR 5,400 cost, if we want to compare with the current cost, what would be the cost, because I think there must be a variety of sources, variety of craves so this INR 5,400 will be equivalent to what spot price currently that is in the market?

Brij Agarwal: Today, it should be around INR 6,500 to INR 7,000 landed.

Arijit Dutta: And that is equivalent to what cost that came to our P&L in the December quarter?

Deepak Agarwal: Our December quarter iron ore consumption cost is approximately INR 4,090.

Arijit Dutta: INR 4,090 right, sir?

Deepak Agarwal: INR 4,090, right.

Arijit Dutta: Sir, in next quarter, we --

Deepak Agarwal: Our inventory is, average inventory is INR 4,030.

Arijit Dutta: Sir INR 5,400 is the average inventory, is that right sir.

Deepak Agarwal: No INR 4,030.

Brij Agarwal: No, for the December quarter he's talking.

Arijit Dutta: As on December, we have 1 million ton inventory of INR 4,030 you just said, right sir?

Brij Agarwal: Yes.

Arijit Dutta: Not INR 5,400 which I wrongly entered.

Brij Agarwal: No, INR 4,030.

Arijit Dutta: So just clarifying, I'm sorry for taking one more minute. One million ton inventory of INR 4,030 equivalents spot price of that inventory is INR 6,500 to INR 7,000 spot price, and we don't -- since we are the inventory is almost equivalent to the consumption cost, next quarter, we are not seeing any increase in the iron ore or thermal coal prices? I mean, at least on the iron ore prices we are not seeing any increase right sir?

Brij Agarwal: No, the iron ore prices, the stock, what we have right now is the old stock and the new stock are also coming up if the prices are little bit harder, we reduced the quantum, but we can very well share like, what is going to be the cost in this quarter. I'll ask my office to share the detail of the order booking and what is going to be the landed cost and in the last quarter, oblique opening stock oblique quarter for this month.

Arijit Dutta: I was just looking for a ballpark number, because INR 4,000 versus INR 7,000 is a big difference certainly iron ore cost coal cost.

Brij Agarwal: I don't know if prices have gone up

Moderator: Thank you for the opportunity. We have the next question from the line of Pruthul Shah from Anubhuti Advisors.

Pruthul Shah: Sir, I just wanted to know what are the current realizations of our product.

Deepak Agarwal: Currently, as far as realization is the current of ferro is INR 78,000 per ton, long product is INR 52,000 per ton, steel billet is INR 46,000 per ton, sponge iron is INR 30,500 per ton, iron pellet is INR 9,200 per ton.

Pruthul Shah: And my next question is with respect to the interest expense. So Q-o-Q, if we see there is a jump in the interest expense. So what was the main reason for increase in the finance cost in this quarter?

Deepak Agarwal: Yes. The basic two reasons are there. Our debt has been increased from INR 675 crores to INR 1,377 crores in the third quarter. And the second one is the interest rate in the second quarter, our average interest cost is 4.92%. Whereas in the third quarter, our average interest cost is

6.52% almost 50% interest rate has been increased from second quarter to third quarter. That is the basic reason.

Pruthul Shah: Can you just repeat the debt number from INR 675 crores to?

Brij Agarwal: INR 1,377 crores. That is because of the huge inventory, right.

Deepak Agarwal: Yes, because of, we are procuring lot of raw materials at a lower price like iron ore and we are also making some advances to our suppliers.

Pruthul Shah: And also there is an increase at the depreciation expense. So is it because of the acquisition of Ramsarup in our books?

Deepak Agarwal: No, that is because of the commissioning of some our capex, existing capex.

Pruthul Shah: Yes. But see on quarterly basis from Q2 to Q3, there is an approximate capitalization of around INR 525 crores and the depreciation increase is around INR 22 crores. So there is something else also apart from the capitalization that we were having in CWIP in September '22?

Deepak Agarwal: Yes, yes we are capitalizing in the third quarter is pellet 1.2 million ton of pellet, LCFC 14,000 ton, sponge iron, 1,98,000 tons, billets, 5,15,000 tons and long product 2,00,000 ton. These are capitalized during the third quarter. And if you ask the cost-wise, the pellet cost, we are capitalizing INR 190 crores, LCFC we are capitalizing INR 30 crores, sponge iron we are capitalizing INR 80 crores, billet we are capitalizing INR 149 crores and long product we are capitalizing INR 40 crores. So total capitalization in this quarter is INR 490 crores.

Pruthul Shah: Sir, just a clarity on Ramsarup. So whether that has been consolidated in the December quarter?

Deepak Agarwal: Yes, this is consolidated, whatever our balance sheet which includes Ramsarup asset is also there.

Pruthul Shah: And just a last question on tax rate. So what has been the reason for the increased tax rate tax rate in this quarter?

Brij Agarwal: Tax rate has not been increased. This is because of the, basically the capitalization the deferred tax has increased.

Pruthul Shah: So what would be normal tax rate guidance going forward in Q4 and next year, '24?

Deepak Agarwal: Our tax rate will be in the range of 25%.

Pruthul Shah: And sir, one last question with respect to the volumes. Our volumes in the quarter total volume if we see, has gone down from 8.5 lakhs to 7.6 lakhs from Q2 to Q3. So what is the main reason for it going down.

Deepak Agarwal: This is the basically reason what we are doing in the third quarter. We are converting more pellet into long total, we are selling more long product, that's why our volume has been down, otherwise, there is no such reasons. If you see in the second quarter, our pellet stainless steel at

36,000, but what we did, we did, we convert our pellet into long products and we sell our long product more compared to pellet.

If you see in the second quarter, our total pellet sale is 3,36,000 and long product sale is to 2,37,000. But in Q3, we are selling pellet 2,31,000 and finished steel, we are selling 3,00,000 ton. So what we are doing, we are doing more converting our long iron pellet into long product, that is the basic reason for decline in the volume.

Pruthul Shah: So just directionally, if you can guide that going forward in, say, not on Q4, but say in FY '24, what would be our target volume that would be looking for in this finished steel products?

Deepak Agarwal: As per the CV guidelines, we can't say our forward-looking number, but whatever our capacity, we will be definitely we'll be depending upon the realization. We feel in which product…

Brij Agarwal: Volume, Deepak, volume we can share in this. We can mail them the volume. We have the volume figures for the next year. He is asking about the volume not the revenue, we can share the volume as well by our team to do that. But there will be a good growth because -- from 5.8 million tons the capacity has now become 10 million ton, more than 10 million ton and we are going to add another 1.2 million ton of pellet. So overall, we can see there will be a substantial growth of approximately, according to me that level of around 30%, overall, the volume growth should be there in the coming year.

Pruthul Shah: So this 40% is with respect to the whole volume or only the finished steel?

Brij Agarwal: Overall volume will go up, the VRI is going to come up. 0.5 million ton VRI is coming. Against a production of 2.4 million ton of pellet, the ramp-up on the capacity is going up. So we will see a decent volume coming up in the near time, in this coming year, because see, the last year we did a top-line revenue of around INR 10,300 crores by March '22 balance sheet and this year, we have almost touched around INR 10,000 crores INR 9,000 crores some odd. So there is a good growth in the volume as well this year, as well as on the revenue side. And we expect that we will be able to maintain a decent growth in terms of revenue as well as the volume in the coming year as well.

Pruthul Shah: And sir, in this quarter we did the blended EBITDA of INR 4,500 crores. So what's your outlook on that? Will that grow from here on now that the export duty has gone? Or what's your outlook on that EBITDA?

Brij Agarwal: So it will improve, but very difficult to commit on the numbers. The market is so volatile, but definitely it will improve in the time to come.

Moderator: Thank you. That was the last question. I would now like to hand it over to Mr. Nachiket Kale for closing comments.

Nachiket Kale: Yes. Hi. Thanks to all the participants for joining in on the call today. Also thanks to the management of Shyam Metalics for taking time out of their schedule today. Orient Capital is the Investor Relation Advisor to Shyam Metalics. Please feel free to get in touch with us for any queries. Thank you.

Brij Agarwal: Thank you. Thank you to all. Thank you.

Deepak Agarwal: Thank you to everyone. Thank you.

Moderator: Thank you. On behalf of Shyam Metalics and Energy Limited, that concludes this conference. Thank you for joining us, and you may now disconnect your lines.