

SMEL/SE/2022-23/16

24th May, 2022

The Secretary, Listing Department, BSE Limited Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai 400 001 Maharashtra, India Scrip Code: 543299	The Manager – Listing Department 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
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Dear Sir/Madam,

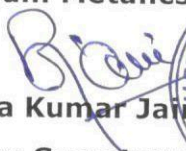
Sub: - Transcript of the conference call for Audited Financial Results for the Quarter and Year Ended 31st March, 2022

Pursuant to 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 Thursday, 19th May, 2022 for the Audited Financial Results for the Quarter & Year Ended 31st March, 2022.

This is for your information and record.

Thanking You,

For Shyam Metalics and Energy Limited


Birendra Kumar Jain
Company Secretary



SHYAM METALICS AND ENERGY LIMITED

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“Shyam Metals and Energy Limited Q4 FY2022 Earnings Conference Call”

May 19, 2022



MANAGEMENT: MR. BRIJ BHUSHAN AGARWAL - VICE CHAIRMAN & MANAGING DIRECTOR - SHYAM METALICS AND ENERGY LIMITED
MR. DEEPAK KUMAR AGARWAL – EXECUTIVE DIRECTOR – FINANCE - SHYAM METALICS AND ENERGY LIMITED
MR. PANKAJ HARLALKA – HEAD, INVESTOR RELATIONS - SHYAM METALICS AND ENERGY LIMITED



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Moderator: Ladies and gentlemen, Good day, and welcome to Shyam Metals and Energy Limited Earnings Conference Call organized by Orient Capital. Representing the management we have with us Mr. Brij Bhushan Agarwal - Vice Chairman & Managing. Director; Mr. Deepak Kumar Agarwal – Executive Director – Finance; and Mr. Pankaj Harlalka – Head of Investor Relations. As a reminder, all participant lines will be in the listen-only mode, there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing ‘*’ then ‘0’ on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Pankaj Harlalka. Thank you and over to you, Sir!

Pankaj Harlalka: Thank you. Good evening to all. On behalf of Shyam Metals I am delighted to welcome you all to this call particularly our shareholders and our industry analysts. Thank you for taking the time out on this call to discuss the result for the fourth quarter and financial year 2022.

Our results including our presentation explaining the performance has been uploaded on our website and I hope many of you have had a chance to go through it. To discuss our results we have with us our VC & MD, Mr. Brij Bhushan Agarwal; and our ED & Director Finance, Mr. Deepak Kumar Agarwal. They will take you through our results and answer any questions you may have.

As always this entire discussion will be covered by the safe harbor clause which is on page #2 of our presentation. Thank you and over to you Sir.

Brij Bhushan Agarwal: Thank you Pankaj. A very good evening to all the participants’ and thanking you for joining us on the call to discuss our fourth quarter and the year ended financial year 2022 financials and business performance.

The quarter began with the rise in the steel prices across the board and then mid February the geopolitical tension between Russia and Ukraine started which led to a panic situation initially. Things are yet to settle down completely with the new world order finding its place in the industry is to play an important role in the world’s steel market. Also China being the largest player on the part of decarbonization has led to the further significance of Indian steel player increasing. The steel industry is going to play an internal role in enabling India achieve 5 trillion economy by 2025. The India’s steel industry has been growing anywhere between 5% to 7% year-on-year basis and that is the growth rate might accelerate.

We expect with the reasonably strong demand recovery on the back of the recent policy announcement made by the government towards the railways, roads, civil aviation, gas pipeline towards affordable housing, and incremental budgetary allocation to this sector is likely to drive the demand for the long steel. The segment that we emerge as a leader in the consumption of this finished steel our construction which accounts for 62% followed by the capital goods 15% and auto 9% and intermediate products 6% with consumer durable of 5% and railway 3%.



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Shyam Metals is predominantly focused on selling long also steel and this segment is part of the large and growth pie. We are glad to share the Q4 financial 2022 the value-added segment of TMT bar rods accounted for 40% of our quarter four revenue, which is significantly higher what we achieved in the first half of the current financial year. As well as much higher in comparison to what we achieved in the quarter four of the last financial year. We derived about 84% of the revenue from the domestic market and 16% from the exports. About 39% of our revenue are from B2C segments. Our initiative to drive B2C segment is bearing fruit B2C segment accounted 45% of Q4 revenue as against the average of 35% of the revenue of the past quarter.

For those who are not well-versed or familiar with our operation we would like to draw your attention to our integrated operation across the value chain. The integrated nature of the production facility results in the better control of our operations as well as enable us to improve operating margin allowed us to focus more on the quality and created multiple point of sale across value chain.

Our production facilities plants are strategically located in the closed proximity to our raw material sources which we believe lower our transportation costs and provide significant logistic advantage thereby improving our operating margin in the terms of adversity thereby reducing the impact of the contradiction of the EBITDA margin. Even in times like the one at Q4 where the energy costs have accelerated, we had been able to hold on to our EBITDA margin and maintain the same. Even if we compare a sequential quarter basis the decline has been very modest with the range of quality structure products sold under the SCL brand, the company in the product market hold its pride in the place of leading steel manufacturer.

Since we are an ore to metal company we are able to produce higher value long product in the efficient and the cost efficient manner. We are able to commission our state of art aluminium foil plant in Pakuria. The product as per the requirement of the customer are being processed and the acceptability and the response is very good. We do expect that the aluminium business itself shall have a significant contributor to the journey of the growth of the company.

We had been declared as the acquirer by the NCLT for Ramsarup three years back, however there was a long drawn legal tussle for last three years, which just concluded and finally all litigations has been set aside and we shall initially taking control of Ramsarup soon. The same has been acquired through SS natural and SPV between our company and super smelter group where we hold 60% through SSPL and our wholly owned subsidiary. Presently an immediate overall outgo is approximately 380 Crores with our proportion roughly around 228 Crores. Once we get the control and our team is ready with the entire plan on the same we shall share with our shareholders the complete plan at that juncture.

I am happy to point out that we have been able to grow in the volume in the terms of 33%. Again I am repeating last year we have grown in the volume in the terms of %33 from 1.18 million ton to 1.56 million ton. In addition to the higher volume we had been able to deliver better results,



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better realization by nearly 33% percent. Our performance was broad based with all the product segment doing well the pellets, billets, sponge, finished steel, lump product, wire rod, TMT structures and varieties of speciality alloy and ferro product. Our company is blessed to have a very strong balance sheet which allow us to take a better view and call during these time of disruption in the raw material prices. We have an inventory of two months of coal at our plant the higher input cost is mostly to be recovered from the increased steel price in the month of April are coming down but we expect the impact of the marginal effect in our performance.

The company has identified operating levels like digitalization, operating excellence program based on the principle of Kaizen 5S Lean PPM and TQM to achieve its medium and long-term goal. We just upgraded our ERP platform to SAP ECC and also committed to improve and deliver implementing TRO in order to upgrade the capability to mobility. The company engaged two operational excellence program next plan in Bengal and Odisha with BCG and alloy. The company is introducing best in the workflow practices in our work area. The company is committed to introduce highest level of real-time digitalization automations by increasing the web based production line.

In January 2022, the company had appointed an ESG consultant to undertake the diagnosis study to improve the material flow balances to review energy and water consumption and the treatment of industrial waste. In addition to the ESG consultant would also focus another aspect involving the social governance issue they have submitted the initial report and stage two of the implementation is underway.

Before I conclude I want to assure you that we are from the management expect a strong demand to continue due to the current up cycle in the steel industry driven by the infrastructure spend increased contributions on the recently added capacity along with the product diversity and higher share of value-added product would write the operating and the financial performance well into the next financial year. The only spoiled spot has been an increase in the raw material prices to some of the overall state to our core business continues to be strong. Most of our businesses are doing better than what we started in the beginning of the financial year.

With that I conclude my portion of the speech. Now I call upon Mr. Deepak Agarwal - Executive Director, Finance to take us to the financial performance of the quarter under review for the financial year 2022. Thank you so much.

Deepak Kumar Agarwal: Thank you Sir. A very good evening and warm welcome. We at Shyam family are thankful to you lending us your precious time. I trust you and your family is keeping in good health in the midst of unprecedented pandemic which nevertheless has erased a bit in the past few months. Let me thank you all for the confidence reposed and support extended to the company that have further strengthened the pillar of the company and helped us to progress ahead over the years. I am also glad to share the company has achieved another milestone recently with the acquisition of Ramsarup Industries Limited.



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Now I will give a quick review of the reported consolidated financial for the quarter under review and for the year ended of the last financial year that is 2021-2022. On a consolidated basis the company for the quarter four for financial year 2022 reported an operating revenue of Rs.2857 Crores a growth of 22% over a quarter four of the financial year 2021. Like in the previous quarter in the quarter four too we have been able to sell higher percentage of volume sales of finished steel at higher realization which has enabled the company to grow in terms of revenue and EBITDA. As a result our EBITDA for the quarter four of the last financial year on a consolidated basis was at Rs.663 Crores growth of 6.7% over a quarter four of the last financial year and a growth of 6% over the quarter three of the last financial year that is 2021-2022.

Just to drive on that point if you measure the raw material cost to operating the revenue ratio in percentage term it has been decreased by the 80 bps in quarter four of the financial year 2021-2022 over the previous quarter. We have reported a flat EBITDA in quarter four of the financial year 2021-2022 in comparison with the previous quarter. In order to maintain this quarter in EBITDA number we have been judiciously and cautiously on all other cost components. Quarter four of the last financial year that is 2021-2022 on a consolidated basis we reported a EBITDA margin of 23.2% a decrease of 105 bps over the previous quarter.

Despite a challenging environment in terms of blended EBITDA per ton we achieved the Rs.15147 per ton in quarter four of the financial year 2021-2022 a decrease of 17% over the quarter four of the last financial year that is 2021 please to inform that while calculating the blended EBITDA, the EBITDA of the company is divided by the steel volume gets to arrive at the blended EBITDA. we had both higher volume of pallet sale in quarter four of the last financial year that is 2020-2021 and also the realization we are higher level as compared to quarter four of the last financial year that is 2021-2022 which shows a decrease in the blended EBITDA but in steel terms that same has increased driven by the changes to resume it an improvements to realization is most of our product segment and running cost wherever possible.

There has been increase in the price of coal paid forth and other raw material hit for quarter four on the financial year 2021-2022. On year-on-year basis we reported a consolidated net profit growth of 12% to 433 Crores and on quarter-to-quarter basis the net profit was up by a modest 1%.

For the year ended 2021-0022 we reported a revenue of 10 394 Crores, growth of 65% over the last year similarly the EBITDA growth too has been strong at 87% to Rs.2600 Crores for the year ended March 31, 2022. Over the last year despite provisioning for taxation going up substantially , we reported a net profit growth of 104% for the year ended of previous year. We could achieve this margin expansion owing to the exceptional market conditions, our steel volume growth, disciplined capital allocation policy and buying key raw material at a right time based on experience. We also focus on improving the product mix which led to improvement with a blended realization and concurrently improving the operational efficiency by cost optimization



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and rationalization of efforts which enable us to report a very good and consistent state of operating profit and net profit.

For many years we have been following a prudent capital allocation policy by which 70% of our cash generated is invested back into the business and 20% is retained as a liquidity surplus and 10% is return to the shareholder in the form of dividend. In the financial year 2021 for the entire year we declared a dividend of per share of Rs.4.55 and for the current financial year that is 2021-2022 we have already declared and distributed Rs.4.5 per share as a interim dividend and on the back of strong operating and financial performance and with the strong net cash flow from operating activity the company yesterday in its board meeting further declared a final dividend per share of Rs.2.75 per share amounting to an outgo of Rs.68.87 Crores subject to the approval of extreme shareholders in the ensuing annual general meeting.

We have achieved a good improvement to our working capital days in the financial year 2021-22 our working capital days of 44 days as against 69 days at the end of the financial year 2021. Similarly we achieved a massive improvement to our capital efficiency during the first half and the same trend is being perpetuated. Our return on capital employment or return on equity at the end of the financial year 2021-2022 are at 37.5% and 29.6% respectively as against 25% and 23.2% respectively at the end of the last financial year that is 2021.

The gross debt to the equity which was at 0.22 x at the end of the last financial year that is 2020-2021 is now at 0.09 x at the end of the previous year that is 2021-2022 we had turned into a net cash in the first half of the financial year 2021-2022 and our net cash position at the end of this previous year that is on 2021-2022 is around 708 Crores. From the cash flow statement you can make out for the financial year 2021-2022 we incurred a capital expenditure of Rs.1053 Crores as against 361 Crores in the financial year 2021. From the net cash flow from the operating activity of Rs.1665.1 Crores during the financial year 2021-2022. Our treasury has also been increased to the tune of 1252 Crores of which available for the investment and cash equivalent during the financial year 2021-2022 was Rs.1011 Crores. I am glad to share the financial risk profile of the company is very, very strong.

Our net operating cash flow from the operating activity to EBITDA is being hovering around 66% to 75%. Our business model is such that we always report consistent EBITDA margin by improving the product mix generate cash flow to fund the capacity expansion. Our strategy has always been to incur capital expenditure on a smaller basis in a piecemeal manner to ensure that the balance sheet is never straight. At all point of time we closely monitor the liquidity solvency and capital efficiency ratio. I would like to assure you that the company sustained a healthy financial risk profile despite pursuing sizable capital expenditure plan out of the 2960 Crores Capex announced during the IPO we have already accumulated incur of Rs.1529 Crores up to the financial year 2021-2022 and the capitalized 894.25 Crores assets during the last financial year. The remaining amount of Rs.1430 Crores shall be expanded over the next two financial years that is 2022-2023 and 2023-2024. We further announced the Capex of 990 Crores in March 2022



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for expenses in pellet capacity, coke oven plant and additional line of captive railway siding. This capex to be completed by September 2022-2023. We spend 793 Crores on Capex this year and for the next year the Capex additional spend will be 1100 to 1200 Crores. The same is over and above the portion of 230 Crores which is to be paid for the acquisition of Ramsarup Industry Limited.

Our company has taken resolution to raise up to the Rs.3000 Crores in the form of debt or equity or any other expenses. Our networth at the end of the financial year 2022 is 5835 Crores and as a policy we have never had debt equity breach to the extent of 0.5x to the total equity. The enabling resolution has been taken keeping in this in the background. At the company level we have been able to grow through continuous expansion but with a disciplined capital allocation approach and adherence to the principle led out by an early founder of the organization. Aided by the internal cash generation and sufficient liquidity surplus which will ensure we take only limited debt in the event of any fund through mismatch. I would like to assure you that the bank's limit utilization at the consolidate level is expected to remain moderate going forward too. Also the annual cash accrual should suffice for the capital expenditure requirements and debt repayment. Now I conclude my portion of the update and open the floor for the question and answer. Thank you everyone.

Moderator: Thank you. Ladies and gentlemen we will now begin with the question and answer session. The first question is in the line of Amit Dixit from Edelweiss. Please go ahead.

Amit Dixit: Congratulations for a good setup number and thanks for the opportunity. I have a couple of questions. The first one is on the rationale for acquiring Ramsarup Industry. Now we are into a very similar business, we have our own Capex the Brownfield Capex as well, and I understand this is an old matter three years back we admit for it. But how do you think it will integrate into your overall scheme of things. So just some color on that the rationale and how do you want to integrate it. That is the first question.

Brij Bhushan Agarwal: If you see in today's time if you are getting a asset, which has a railway siding, which has a land which has a 132 KV high tension grid, we have a installed plant of a blast furnace, sponge iron plant, power plant and at a so less price, if you see that, like if you want to buy a land you will not get a land at this price and maybe if we take a land also it take maybe more than two years, three years to acquire this kind of a land. Logistically on the port area and very near to the iron ore like the freight cost in comparison with our existing plants what we have it is around 20% to 25% more on the advantageous position. So this is a very, very lucrative side with the less of the hurdle it is in the same terrain where we are working right now in Bengal not a new geographical challenge. This is one of the infrastructure advantage what we have been able to capitalize from the acquisition side.

Now from the business side it has a world-class ceramic arc furnace, which is one of the most reputed vendor so we have a lot of advantages in the time to come though I would say it is going



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to be a very, very different product in steel, it is not going to have any kind of a competition or any kind of thing what we are doing in our existing steel plant. We need time because Ramsarup was one of the pioneer one time in the wire division they have a complete wire division also. So in the time to come though it is too early for me to comment anything right now on the business plan because since we had been struggling for more than three years to acquire these assets and now we have got the assets and now we are on the planning stage but I can very well share that this is going to be something different product from the company side like we have been always venturing into the new value-added product with the good technologies and all. So this project is also going to be in the similar line maybe we might think of getting into a specialty wire division which has a huge potential there is more than 50% export is happening in this specialty wire when we are talking of the wire rods or we are talking about the low carbon or the chromium wires and all. So these are going to be the product but still it is under the planning stage and just sharing my thought see what we are thinking right now and we will take time because we are yet to get the position of this land and then once we get the position of the land the detailed evaluation will be done by the best consultant and advisors and then we will come across the growth plan, but yes definitely it will be more on the value addition side of these three and I do not see a very big Capex coming up in this setup in next one or two years because it will take time to establish and do a lot of internal planning and all and yes this will be something very niche for the company.

Amit Dixit:

Thanks for this. The second question is essentially on volume growth. So there are quite a few projects that are coming up in FY2023 and besides this there is a very attractive low carbon ferrochrome project also coming up aluminium foil also. So it would be great if you could just share with us in percentage terms what kind of growth we can expect in each of these segments, I mean, the main ones pellets, road products in particular and sponge iron. If you could also share the possible EBITDA contribution that you see from the aluminium foil project and low carbon ferrochrome project.

Brij Bhushan Agarwal:

If you are talking of a low carbon ferrochrome project like we just commissioned it we had been able to stabilize it, it is one of the kind in the country with the process what we have followed it is very interesting and this is almost I would say 80% export. On an average we can say that this business contributes around Rs.40000 to Rs.50000 turned EBITDA in the low carbon space because it is a very niche technology completely franchised from the international consultant and all and as on date like just we are on the verge of stabilizing this 10000 to 12000 tons capacity plant every year like per year and we also have a plan to double it once we stabilize the plant we regularize our market we set up the team we educate the team because it needs a lot of skill effort in manufacturing on the technology front also on the process front. So we will be able to double in next one year. From the foil plant is concerned aluminum foil plant which is also a very extremely interesting business as you know the packaging industry is growing and the issue of the plastic is a great environmental and the health issue which is to be to this planet. So this is also replacing very fastly in the niche packaging sector. Aluminum is coming as a very, very interesting packaging and also a lot of other usage of the aluminum is where the battery foils and



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all in the electric vehicle space. Since we are in the verge of stabilizing and we are learning more and more as one day we would not like to increase any foil capacity for at least this year we would like to learn this year more and more on the marketing front, more and more on the product front and maybe when the time come and we are extremely 1000% comfortable we would like to draw the expansion in the aluminium space. Now related to the sponge iron long product I would like to focus that the long product like we are all aware that we have launched the brand ambassadors Salman Khan as our brand ambassador and we are more focusing on B2C sector now and if you see there is a good penetration this year in the long product space so we expect that in this year we should be doing pretty decent volume in the long product and I expect that we should be able to increase our market share and increase the production in the tune of around 35% to 40% in the long product business because B2C is extremely interesting segment in the long product once you have a brand you are able to create more value and the sustainability factor is also extremely stable so this is our plan and since we are increasing our palette capacity and the sponge iron capacity is also adding up so as of now I can tell you like it is going to be little premature on my end to define anything on the sponge iron but yes whatever we have committed as on date on the sponge iron side it is going to be more or less we are going to have the same capacity and would like to wait for one year because the company focus is more on the value addition how we can add more value to the iron what we are making how to integrate into the more realization and see that more and more sustainability in the systems in the terms of better EBITDA better margin and the value-added products is there. Thank you.

Amit Dixit: Great. Thanks for the elaborate answer. I will come back in the queue. Thank you and all the best.

Moderator: Thank you. The next question from the line of Prashanth Kumar Kota from Dolat Capital. Please go ahead.

Prashanth Kumar Kota: Sir good evening and thanks for the opportunity. This is the follow-up from the previous question. I am sure you will have a business plan for the year. If you could give the volume, volumes across product volume guidance on the product across products ferrochrome, the aluminium foil, pellets, sponge iron, intermediaries and finished steel. If you could give the broad, yes I agree that the mix could be vary based on the market conditions and what you want to sell etc. Broadly the volume guidance will be helpful.

Brij Bhushan Agarwal: See in the terms of the sponge iron this year we are going to add around close to around 0.4 lakh ton this year we are going to add in the sponge iron, pellet we have committed that by September 2023 we will be commissioning 2.4 million ton, but the way the project is going on. I am very optimistic that we might be at out of 2.4 in one of the sites we can add 1.2 million ton of pellet additional this year as well. Ferroalloy it is more on the value on the low carbon ferrochrome. So this is going to add not a very substantial because a very high value added product of Rs.2, Rs.2.5 lakh a ton this is also going to add around 10000 tons a year and apart from the long



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product I have very well specified like what we are planning to add around between 0.4 to 0.5 lakh tons of long product we are going to add and that is all I think.

Prashanth Kumar Kota: Sir now just coming to realizations of your brand now you have tied up with Mr. Salman Khan as a brand ambassador etc., but the product realizations when we compare to what Tata Steel, does or Jindal does etc., where are we now?

Brij Bhushan Agarwal: See there are different categories but it is very difficult. In every different region the prices are different but I would say in comparison with Tata Steel yes we must be around Rs.2000, Rs.2500 per ton the price must be the difference must be that. But in comparison with the regular TMT manufacturer our prices were around Rs.3000 to Rs.4000 net of all the marketing expense and all these a lot of schemes are there in the network area. So our realization is better.

Moderator: As there is no response from the current participant. We will move on to the next, that is from the line of Pratim Roy from B&K Securities. Please go ahead.

Pratim Roy: Congratulations Sir for the good set of numbers. I have only one question. Right now that globally the metal prices seeing some correction. So if this correction continues means how far it can go and how much it is sustainable for the margin front means whether we can maintain the margin with what we have reported in this quarter or what we can expect the downside risk on the margin if you can throw some light on that part.

Brij Bhushan Agarwal: See today if you ask me we are in a very, very extreme conditions like nobody knows about the geopolitical issues which is happening around there is a disruption everywhere but when we see from these kind of core industry we have to look on the annual side like you remember last year we had gone through a very tough pandemic year last second quarter and everything was in the Shahto condition but still in spite of that we revived at the third quarter, fourth quarter, so these are all temporary phase it will not be absolutely from my end to predict anything but yes as Shyam Metals we all know that we are on the bed of the raw material we are very comfortable our market is within 500 kilometers we sell more than 80% we have a decent amount of an export businesses also to size and derisk our portfolio and we are like a FMCG company in metal none of the company we can say that is like Shyam Metals will beat we are in pellets, we are in sponge, we are in billets, we sell wire rods, we sell TMT, we sell structures, we are in aluminum, we are getting into a speciality steel product, we are in ferroalloy. So this is the most this time model if I see from any of the metal company it is not just like one product that we are dependent on the imported coke which is going to come from Australia and it is so volatile. So we have a lot of advantage but yes from the business point of view, from the market point of view we are all governed by the demand and supply and with the kind of inflation which is going up we all know that the things are slowing down but it is a part of a business like we cannot always compare one quarter or one and a half quarter we have to see throughout the year but from the sustainability point of view I do not see there is a big challenge might be there is some little bit of squeeze in the margin which happens in every industry but in comparison with the peers or in any metal



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space if you see the advantage what we have very rare or maybe I think we are only the one which has such a good advantage.

Pratim Roy: We can assume that the spread will be maintained in the near-term right.

Brij Bhushan Agarwal: Sorry.

Pratim Roy: We can assume that the spread will be maintained in the near-term so in maybe one quarter there is some downside is possible.

Brij Bhushan Agarwal: We are expecting 100% because you are increasing your capacity, you are optimizing your cost a lot of other value is also going to be add, but yes I improve I feel that yes there will be a decent amount of spread and since get into a pandemic situation we do not know maybe we come across with a different geopolitical issues or maybe some China issues and all which is happening. Otherwise things does not look bad.

Pratim Roy: Thank you Sir I will come back in the queue.

Moderator: Thank you. We will move on to the next question that is from the line of Arijit Datta from Kotak Mutual Fund. Please go ahead.

Arijit Datta: Hi! Sir, thank you for the opportunity. I have a few questions operator if you feel that I am exceeding the time stop me anytime. The first question served on the Ramsarup acquisition. So we are spending almost like 400 Crores as a initial acquisition cost although we have said that one, two years there will be no big Capex coming in but in order to make the plant up and running including working capital, including the Capex that we will be putting it what additional cost that we can envisage as of now not any expansion just to make the plant restart because I believe the plants were shut for many years. That is the first question.

Brij Bhushan Agarwal: See this was a plant which was being done by Nikon and yes the plant has been closed for pretty long time I think it was more than seven, eight years the plant was under shutdown so we need to do all the repairs and all but I do not think the Capex is going to be very large because first focus of the organization will be to resume the operations by doing the modifications and all but now hardly I think so if we talk maybe if we at all do all the due diligence and everything it is not going to be on a very large cost, but it is too preliminary for me at this point of time to comment because we just got the letter from the NCLT and we have not send our engineers to see but while three years, three and a half years before when we evaluate it. We just emphasize that it should be around 200 Crores will be spend on the repairs and uplifting the complete some modifications and all. So that is also was a very, very initial figure which will be going in further detail and doing some cuts and cross so it is not a major cost very small cost.

Arijit Datta: 250 and should we take around 200 more for working capital.



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Brij Bhushan Agarwal: It is just a thought process what we did three and a half years before so maybe 200 Crores. It will not be appropriate for me to, on the assumption I am saying you cannot saying that it may be 300 Crores or maybe 150 Crores but it will take time. We need to do a proper due diligence with our technical consultant to use a lot then only I will be able to share all the details.

Arijit Datta: Make sense. Thank you Sir. The second question is on the cost FY2021, FY2022 we were just amazing in terms of how you anticipated the cost rise and you took lot of inventory both in iron ore and coal this quarter we already started seeing sign of increase in that but since we have the old inventory and the current prices the gap is huge do you see next quarter, I mean, starting from this quarter Q1, Q2 do you want to say that the cost increase will be bit sharp because we are replenishing the old inventory and the current inventory would be high, I mean, if the benefit that we got in last two years will be reversing in a steep way kind of thing if you can separate coal and iron that would be even helpful.

Brij Bhushan Agarwal: Definitely , because at this point of time you are right there will be some changes and we are also predicting that, but the market has to also absorb it because the things cannot remain like this. We are at a very, very geopolitical crisis situation. So things has to resume and the best of the advantage what our company enjoy is that we are not based on the coking coal we are based on the non-coking coal and we are on the coal bed. So I think maybe one quarter or maybe one and a half quarter maybe some kind of a little pressure is there or could be there but I do not see that it will have any mid-term or long-term effect things have to resume and fall in the place where it has to, it was operating.

Arijit Datta: I do appreciate the mid-term and long-term guidance but if you can be a bit more details in the current quarter and the next quarter number for example what was the coal and iron ore cost in Q4 and what is building up now because we must be having the inventory so what number for example last quarter say around 7000 was the coal cost this quarter we think around 9000 will be the coal cost something like: that what delta we can see a bit more specific will be really helpful.

Brij Bhushan Agarwal: I think I will be not in a very practical situation to share this thing right now with you because things are changing every day and we are sitting on the inventory and all but yes the price is going to change so maybe I will ask my office to make a note and then we can share it or we can again have a con call because I do not want to comment anything which I am not very 100% sure at this point of time but from the trend point of view yes coal is not going to go further up that I can assure you because the coal has gone up because of the huge crisis of energy number one, there was a disruption in the supply from the international market like Indonesia and other countries and all because of various reasons. So a lot of coal from the coal belt was going to be on the part of the power plant. So there had been a panic in the market where the prices have gone up, but now since because of these so much heat and summer the energy demand has gone up so that was one of the reason but now since the monsoon is going to be next month and a lot of hydro projects are going to be active and the heat is also going to be subtle. So a lot of demand on the energy front is also going to come down. So if you see direct prices what it was now doing



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between Rs.17, Rs.18 a unit has come down to around an average of Rs.7 to Rs.8 or maybe Rs.9 at times. So the trend is quite going to come down so it is coming down so the prices of the coal definitely is not going to go further up it will come down and when we are talking of the iron ore prices if you see the iron ore prices which was there in the last quarter and now the iron ore prices correction has already happened 30% so the prices in the iron ore is also going to go down further because the pressure of the coal is coming on the iron ore and because of the Brazil Rio Tinto mines and all which has become very operational resumed and all and other mines have also opened. I see I do not see a very big pressure from the iron ore front on the price is concerned.

Arijit Datta: Perfect thanks we will wait for further details as you said we will get back but just one clarification you mentioned that coal not going further up does it mean the coal prices in the market or our coal cost I mean due to the inventory, you are talking of the market right.

Brij Bhushan Agarwal: I am talking about the market our coal cost I said I will be able to only... I am talking about the general perception I am not sitting with 100% data and I do not want to comment anything which is not rationale it is one of the reason. So maybe next time if you can send me a questionnaire before I would love to make it, but very intellectual question I appreciate. Thank you.

Arijit Datta: On the retail venture now you Are focusing on B2C so my experience when I go to east when we travel first we say the political hoardings and after that if I can see any hoardings that is the steel sector holding I mean in number of brand everybody's and those like some of the other biggest top film stars or the top cricketers every brand has come or the other. In this overcrowded market we are going to set a new team spending on advertisement although another big start is added to that list of Salman Khan of star. Do you see that it may end up like a more competition and without much reward and another problem we have that we have another brand which is also named Shyam although we sell at SEL and the Tiger as I saw in the presentation but there can be a brand confusion also some thought on it how much you are confident about that, it is still venturing because we did wonderfully well targeting the B2B segment.

Brij Bhushan Agarwal: Shyam Metals today is a conglomerate number one and I do not want to discuss about the second brand and the size of the other company. Now we are forgetting one thing that today the demand in the steel is growing around 6% to 7% every year and the major development which is happening in our country is in the rural economy the market is increasing, the demand is increasing, yes, there is a challenge it is not easy to develop a brand establish a network market and all but we are also a very, very old brand and very, very subtle and established company from the prospect of the cost from the thrust point of view and from the brand point of view we just need to penetrate little more harder I would say that we are not a company which is coming into a new space we are not doing any Greenfield expansion whether we are doing all Brownfield expansion in the brand activity. So yes there has to be a cost and there is a cost also but it is not that substantial like you have to set up everything and that kind of decision time is going to be some kind of a disadvantage for your company and all but yes it takes time today whether you



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sell color sheet or you sell anything in the Indian market if it is not a techie or there is a competition everywhere the advantage what we enjoy is a trust today we are a very well established company, the company with the highest trust and the good reputation best product or maybe one of the best product so it takes time but today we are selling you are seeing the result we are selling in the same market the result is in front of you, you have seen what kind of an advantage what you have in your company you have your own railway siding, you are selling everything within 400, 500 kilometers from your plant, you make the skill from the iron side you have your own captive power plants. So you have your own specialty alloy to add the steel so many advantage is there which is helping us to reduce the cost and selling the material at a higher price under the brand value under the network value so it is okay I do not see any kind of a challenge and today we have hired PWC for the further engagement in the branding activity all the best consultant like BCG and Renault they are the part of our excellence program. So, so many things are happening actually today we have never stated that till now like any time like we have cut down the production because of the constraint of any raw material or any kind of a constitute on the demand side and all I have really no concern on this and since the market is growing they are very geographically we are very well located plant we are in the pan India market it is not that we are only on the one market we have an export revenue so many things are you are exporting your steel, it is so much mix of the advantage is there I do not see and brand cost is very, very low cost in the overall balance sheet what we are spending and to grow in the time to come it is not the luxury but it is the necessity that once we are targeting to be the world class player in the steel sector we need to have everything world class we have to have a world-class brand ambassador the world-class product and the rest of the team to work with us. Thank you.

Arijit Datta: Thank you.

Moderator: Thank you. The next question is from the line of Amit Dixit from Edelweiss. Please go ahead.

Amit Dixit: Hi! Thanks for taking my question again. I have a question on working capital, if we see end of the year inventory has almost doubled payments have also gone up although on receivable side if you look at receivable days they have gone down significantly. So I just wanted to understand the key drivers of this whether it is coal cost or why have inventory doubled w and it is supported by payables also. So how do we see working capital going ahead that is the first question?

Brij Bhushan Agarwal: Can I ask Deepak to reply on this. I know how to make steel boss, financials and all. let the financial people also share with you.

Deepak Kumar Agarwal: If you see in our financials our inventory level is increased from 1000 Crores to 2000 Crores it is mainly because of creating the inventory more as you all are aware that in the last year financial when there was a Covid the scenario is there so we are keeping our inventory level is very low but in this current financial year we are enhancing our inventory level to some extent from the last year and also the price of input is higher that is why our inventory from the last year is



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higher. Second one as far as working capital is concerned you are always maintaining our working capital within the range of 50% of our average utilization we will be definitely keeping this side for going forward.

Amit Dixit: And payable days are also up so have you got anything?

Deepak Kumar Agarwal: Yes, as far as creditors for capital growth is concerned around 1193 Crores, out of this 1193 Crores 857 Crores is basically the LC payment which is affected LC against the procurement of coal and manganese ore and which will be paid over a period of time.

Amit Dixit: 857 Crores.

Deepak Kumar Agarwal: Yes, 857 Crores on account of coal and manganese ore.

Amit Dixit: The second question is essentially you touched on the split of cash that is 75% for growth Capex 15% has retained earnings and the rest as dividend.. Now we are already cash rich company and going ahead from whatever volume growth you have mentioned and the avenue for growth your cash flow will only increase and our Capex as we mentioned 1100 Crores to 1200 Crores maybe for a couple of years more so your cash balance will keep on increasing now what are you going to do with that will it be enhanced returns to shareholders beyond 10% we can see or will it be some more inorganic acquisitions like value accretive acquisitions like Ramsarup Industry.

Brij Bhushan Agarwal: We have done an execution in Ramsarup lot of expansion is already has been earmarked which is going on and lot of other modification plans and other upgradations plans are also in the pipeline which we have not shared now. I think we would like to add more value in the company to enhance the greater value to the shareholder but yes from the dividend point of view last year I think we did around 10.75% of the total net profit what we generated so maybe in the time to come see the expansion plan if it is the need of the company we would like to invest more but we would not like to go below what we had promised and if we see that there is no major expansion plan coming up and there is a lot of capital which is getting accumulated definitely we would like to share this thing with our shareholders.

Amit Dixit: Okay great Sir that was very helpful. Thanks and all the best.

Moderator: Thank you. The next question is in the line of Abhijit Mitra from ICICI Securities. Please go ahead.

Abhijit Mitra: Thanks for taking my question. I think while we appreciate that you cannot share the coal cost maybe if you can share the procurement that you are doing right now I mean how much import you are doing and how much is coal India sort of supplying on a quarterly basis or on a monthly basis I think some numbers on that would be greatly helpful how was Q4 and how does Q1 looks like in terms of volumes of coal that you are procuring and how much of that volume coal India is supplying and how much you have to import right now. If you can tell that and secondly just to



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clarify on the payout what we understood is that as a percentage payout of 10%, 11% that is the base level payout that we will see and it will increase if cash FCF increases, FCF post Capex increases post growth Capex increases. So these are the two questions.

Brij Bhushan Agarwal: Presently there has been a very different situation because of the energy sector movement of all the coal from the subsidiaries to the power plants and all but yes on an average I can tell you around 35% to 40% we are importing coal to meet out our requirement because all the government sectors right now is focusing the coal to the powerhouses which is going to be resumed as I rightly said and related to the dividend also I am very clearly specified like we did an EBITDA of around 1724 Crores this year correct Deepak if I am not mistaken.

Deepak Kumar Agarwal: Yes.

Brij Bhushan Agarwal: And the payout was around 186-odd Crores right if it is correct. So if the time comes and if you see there is no major expansion happening in the company and we have enough cash definitely we would love to increase more dividend payout but all depends on the need of the cash for the expansion and the growth of the company but yes as a good governance and the participation of our respective dear shareholders and expectations we would like to be very confined that we are going to be always a dividend paying company and whatever we have shared our thought earlier in the terms of the capital allocation the dividend is one of the part we are going to be very much within the discussion what we had.

Abhijit Mitra: Yes, great. Just to understand this 35% to 40% import it was there in Q4 also or in Q4 it was lower of coal I meant.

Brij Bhushan Agarwal: It must be a little lower.

Abhijit Mitra: And just to understand one last thing there are two types of coal which is available one is a \$150 coal from Russia and the rest is that \$300, \$400 coal from Indonesia and the rest of the world. So is the mix being matched by these two sources or we are sort of only looking at that \$300, \$400 coal while importing.

Brij Bhushan Agarwal: No, we have not imported any \$300 coal our import of the coal has been in the level of around \$220 to \$230 we have not tried Russia now because there were a lot of issues happening with the Russian coal because of the quality and all which has not actually been established but yes we are going to take a try of that material very recently and then we would like to enter into a Russian coal.

Abhijit Mitra: Got it so if that happens probably some relief can come. Okay got it that is all from my side. Thanks.

Brij Bhushan Agarwal: Thank you. The next question is from the line of Saket Kapoor from Kapoor & Company. Please go ahead.



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- Saket Kapoor:** Namaskar Sir and thank you for all the clarification. If you could just dwell slightly on the structure of the deal for Ramsarup why was it structured through the subsidiary route in part what is the advantage of going in in the format and not directly from the parent company itself.
- Brij Bhushan Agarwal:** This transaction this expression of interest was given three and a half year before which is before the IPO and there was that time seeing the market situations and all there were a lot of concerns on the issue of the projects and all. So that was something which was strategized three, three and a half year before and which was under the legal litigation and which we got the award just last week. It is under a company, under an SPV Shyam. So for this we had a partner we have a consortium partner who holds 40% and Shyam Metalic hold 60% and so an SPV company was formed and for that the investment also was like we do not have to invest so much money and some advantage also we technically also enjoy with the other consortium partner in some special feed so that was one of the reason and also to avoid too much of competition and to avoid the maximization of value that was also one of the strategy which we planned three, three and a half year, if we see the asset prices have gone 3x we are all know so that was one of the reason.
- Saket Kapoor:** And currently the utilization level across the pellet portfolio what have been our utilization levels for the last quarter and for the year as a whole.
- Brij Bhushan Agarwal:** We are maintaining around between 85% and 90%.
- Saket Kapoor:** This is what we are also there for post the exit of the March quarter also when we generally said before the monsoon the demand picks up and then there is a languish period because of the onset of monsoon.
- Brij Bhushan Agarwal:** See the average. There are many plans, I will not be able to spell you right now each and every part.
- Saket Kapoor:** Okay Sir and the point was post the exit of the March quarter generally it is found that before the onset of monsoon the demand is on the higher side but because of this raw material fluctuations and other factors there is some weakening of demand that is currently in the system so if you could throw some more light on the current steel market and the products currently which is of our product portfolio.
- Brij Bhushan Agarwal:** See till April the market was behaving very, very nicely everything was on the peak but from last 15 days there has been some slowdown, there has been like if you see the price has slide in last 15 days will be major if you see, because of the high inflation and there is a concern on the cost side is concern. So all the contractors and all they had some issues that till March they have to complete the project so they have done this maybe they are waiting for some kind of a corrections.
- Saket Kapoor:** So there is a significant slacking of demand that we are observing for this month.



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- Brij Bhushan Agarwal:** Yes, there is some slowdown in the demand no 100%.
- Saket Kapoor:** And last point is for forward integration are we looking for DIP also DIP pipe I saw it in your annual report representation and all so for forward integration part...
- Brij Bhushan Agarwal:** Since there is small investment was planned of around 200 Crores in 2024-2025.
- Saket Kapoor:** So we are progressing in that front.
- Brij Bhushan Agarwal:** Yes, we have a plan and we will be going for that but we have time now we have not yet started because we need to complete this after our blast furnace production but yes definitely 2024-2025 we have a DI plant.
- Saket Kapoor:** 2024-2025 that is a long way as of now.
- Brij Bhushan Agarwal:** And very small capital outlay is there.
- Saket Kapoor:** Then what is the objective of going forward Sir, if it is a small plant and still two, three years down the line.
- Brij Bhushan Agarwal:** The plant is small, for us it is a very low capex because we already putting up a blast furnace, filter everything is there coke oven and all so we just need to put a downstream facility it was not a very major capex whether for our extra iron making whatever we could convert as a value addition was a strategy putting up on planning this DI plant.
- Saket Kapoor:** What is the nameplate capacity?
- Brij Bhushan Agarwal:** Sorry.
- Saket Kapoor:** What is the capacity we are envisaging for the DIP?
- Brij Bhushan Agarwal:** It was around 2 lakh tons.
- Saket Kapoor:** Super, thanks you for this reply.
- Moderator:** Thank you. We will move on to the next question that is from the line of Amanjeet Singh from Oculus Capital. Please go ahead.
- Amanjeet Singh:** I just wanted to check on the acquisition our 40% partner have we engaged in any dialogue on the quantum that they are willing to infuse or has anything changed for them in the last three and a half years.
- Brij Bhushan Agarwal:** No it is all what we decided before.



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- Amanjeet Singh:** So they are still on-boarded in the project completely right.
- Brij Bhushan Agarwal:** Yes, very much and they also invested money like out of the total somewhat 380 Crores or 350 Crores they have invested their proportion of 40%.
- Amanjeet Singh:** Thanks.
- Moderator:** Thank you. Ladies and gentlemen that was the last question. I now hand the conference over to Mr. Nachiket Kale, Orient Capital for his closing comments. Mr. Nachiket Kale please proceed.
- Nachiket Kale:** Thanks everybody, thanks for participating on this call. We really like to thank the management again for sparing the time and all the investors and analysts for the interactive session and all the interesting questions. For any other queries please feel free to get in touch with us and we are also planning a plant visit to explore and understand the state-of-the-art manufacturing facilities of the company. So we can further discuss that separately. So once again I would like to thank the management and all participants' on the call. Have a nice day.
- Brij Bhushan Agarwal:** Thank you everyone. Thank you so much.
- Moderator:** Thank you. Ladies and gentlemen, on behalf of Shyam Metals and Energy Limited that concludes this conference. We thank you for joining us and you may now disconnect your lines. Thank you.