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An ISO 9001, ISO 14001 & OHSAS 18001  
Certified Company



19<sup>th</sup> February 2022

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Fax. No: 022-26598237/38, 022-26598347/48

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Series: EQ

Dear Sir,

**Sub: Transcript of the earnings call conducted on 8<sup>th</sup> February 2022**

Please find enclosed herewith the transcript of the Q3 and 9M FY2022 Earnings Conference Call conducted on 8<sup>th</sup> February 2022. This is for your information and records.

This information is being hosted on the Company's website - [www.seml.co.in](http://www.seml.co.in).

Thanking you,

Yours faithfully,  
For Sarada Energy & Minerals Ltd.

  
Authorised Signatory

Encl: As above



“Sarda Energy & Minerals Limited  
Q3 and 9M FY2022 Earnings Conference Call”

February 08, 2022



**MANAGEMENT: MR. PANKAJ SARDA – JOINT MANAGING DIRECTOR -  
SARDA ENERGY & MINERALS LIMITED  
MR. PADAM KUMAR JAIN – DIRECTOR AND CHIEF  
FINANCIAL OFFICER - SARDA ENERGY & MINERALS  
LIMITED  
MR. MANISH SARDA – DEPUTY MANAGING DIRECTOR,  
SARDA METALS & ALLOYS LIMITED**



*Sarda Energy & Minerals Limited*  
*February 08, 2022*

**Moderator:** Ladies and gentlemen good day and welcome to the Q3 and 9M FY2022 Earnings Conference Call of Sarda Energy & Minerals Limited. 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 for 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 Sarda, Joint Managing Director, Sarda Energy & Minerals Limited. Thank you and over to you Sir!

**Pankaj Sarda:** Thank you, Madam. Very good morning, everyone. I extend a very warm welcome to all of you to the Q3 FY2022 Earnings Call of Sarda Energy & Minerals Limited. Our press release and investor presentation containing details of performance has been uploaded. Today’s discussion may include forward-looking statements, which must be considered in conjunction with the risks that the industry in general and our business in particular face and actual results may vary materially.

The quarter gone by has been a quarter of consolation for metal industry. The company has recorded highest ever production of ferro alloys. From November 2021 all five ferro alloys furnaces in Raipur have become fully operational, which is reflected in improved production. Full effect of this will be reflected in the current quarter.

Average price realization of all products except iron ore pellets was better than previous quarter. Because of lower price realization from pellet and increased cost of coal and coke, operating profit from steel segment fell which was offset by increased profitability of ferro alloys segment. We have exported 23500 metric tons of ferro alloys during the quarter against 12000 metric tons in Q3 FY2021.

The Rongnichu Hydro Power Project operated satisfactorily and generated EBITDA of around 52 Crores during the quarter. MBPCL has received all amounts due from the customer till date. The Gare Palma IV/7 coal mine commenced operations on December 14, 2021, three months ahead of time granted by the government. Production of coal started from the mine on January 6, 2022. The company has achieved the rated capacity. The coal washery beside the mine has become operational from yesterday. This will help us in getting desired quality of coal for our manufacturing facility and save on transportation cost. We have initiated steps to get approvals for increasing production from this mine from 1.2 million tons to 1.8 million tons. The process of approval is going on for Shahpur West Coal Mine in Madhya Pradesh.

Auction of iron ore mines in the state of Chhattisgarh has been stayed by the Honorable High Court of Chhattisgarh. We are participating in the auction process of iron ore mines. Work on the Ferro alloys expansion project at Vizag is progressing well and the third furnace is expected to be operational ahead of scheduled commissioning timeline of March 2023.

Construction work at 25 megawatt of Rehar River Hydro Power Project has started and progressing smoothly. We expect to complete the project before end of FY2024-2025. Mr. P.K. Jain Ji will brief about financial performance and position of the company.

**Padam Kumar Jain:**

Thank you Pankaj Ji. The company has achieved highest ever consolidated revenue for the nine months ended December 2021 amounting to Rs.2833 Crores. We have achieved consolidated revenue of Rs.1000 Crores during Q3 FY2022 as against Rs.1025 Crores in Q2 FY2022 and Rs.604 Crores in Q3 FY2021, which is flat quarter-on-quarter and grew by 66% year-on-year.

If we remove seasonal effect of the hydro power then the revenue was better than Q2. The company has reported operating EBITDA of Rs.322 Crores during the quarter against Rs.413 Crores in the previous quarter and Rs.276 Crores in Q3 FY2021. The company's profit after tax at the consolidated level stood at Rs. 167 Crores as against Rs.256 Crores in the previous quarter and Rs.116 Crores in Q3 FY2021 resulting into an earnings per share of Rs.46 per share for the quarter and Rs.164 for nine months.

The fall in profitability for the quarter is mainly on account of fall in profit of hydropower projects which is seasonal in nature and booking of mark-to-market losses as against mark-to-market gain booked in Q2.

Debt position: At the standalone level, the company continues to be debt free. As on December 31, 2021, gross debt stood at below Rs.1600 Crores, the total debt net of cash and liquid investments stood at Rs.1200 Crores approximate and net of loans given is ~Rs. 800 crores. Loans repayable within the next one year are Rs.180 Crores. Ongoing capexes including for coal mines have been financed from the internal accruals. Madhya Bharat Power Corporation Limited has prepaid loan of about Rs.114 Crores in the current quarter. Our dialogue with lenders is in advanced stage for refinancing of the loan taken for 113 megawatt hydropower project.

We expect to complete the refinance or renegotiation of the terms of the loan with the existing lender in the current quarter. Credit rating of Madhya Bharat Power Corporation Limited is also under review and we expect a substantial upgrade very soon.

Now I request Shri Manish Sarda to brief about global and domestic scenario of the steel and ferro alloys and the industry outlook.

**Manish Sarda:**

Thank you Mr. Jain. During calendar year 2021 India produced 118 million metric tons of steel against 100.3 million metric tons in CY2020 registering a growth of 17.8% against a global growth of 3.7% and degrowth of 3% in China. Japan and India recorded highest growth for 2021 in the range of 18%.

India exported 3.74 million metric tons of steel in this quarter against 5.99 million metric ton in quarter two and 2.84 million tons in quarter three of 2021. The fall in exports was offset by increased domestic consumption. The pellet consumption was up from 24.7 million metric tons to 26.96 million metric tons quarter-on-quarter, but fell year-on-year from 28.2 million metric tons.

China's steel production was falling month on month from April 2021, 103.9 million metric tons to 69.3 million metric tons in November 2021; however, it has recorded positive growth in December. China's share in global production has fallen from 56.5% in April to 52.95% in December whereas India's share has gone up from 5.76% to 6.1%.

In view of Winter Olympics production cut is expected to continue in China to contain any issues. India exported 619000 of ferro alloys during the quarter as against 56.3K in Q2 and 33.3K in Q3 FY2021 in December. The country recorded sharp rise in exports to 241000 metric tons.

Overall outlook: after correction in Q3 prices of iron ore and pellets have started rising again on the back of demand from China. Price of coal and coke is also going up after export restriction imposed by Indonesia and fall of production in South Africa. Prices of ferro alloys are also moving up due to increased prices of energy. Any disruptions in Ukraine will affect ferro alloys supply and move up the prices further.

Our Gare Palma IV/7 Coal Block has started operations. Coal production from our mine will provide much needed hedge to the company, reduces price volatility and substantial savings in the fuel cost and additional revenue from sale of surplus coal.

The increased domestic consumption and stable export demand has balanced domestic demand-supply of steel and ferro alloys which should enable stable capacity utilization and improved pricing. This is all about the performance and outlook. Now we leave the forum open for questions from the participants.

- Moderator:** Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Yash Agarwal from JM Financial. Please go ahead.
- Yash Agarwal:** Good morning, Sir. Just wanted to understand what has been the quantum of the rise in pellets and sponge iron in the months of January, February, and after the closing of the Q3 and you know this is mainly led by increasing production in China and how sustainable do you think it could be for us?
- Padam Kumar Jain:** You are asking about the prices?
- Yash Agarwal:** Yes, about the prices in the month of January and February. Just wanted to know what has been the quantum of increase in prices of pellets and sponge iron in January and February and this is led by the export part primarily or it is both domestic and exports?
- Manish Sarda:** Exact quantum I would not be able to tell you right now, but there has been an increase because of the domestic demand also because of the export demand which is there from China. As we have seen the iron ore supplies have been restricted from Brazil because of weather issues and also from Australia because of weather issues and we foresee that the pellet prices and iron ore prices will remain firm once the Winter Olympics are over and once China is back from their holiday period.
- Yash Agarwal:** My question was how much of the coal will we be buying from the outside market after the coal block is operational or is it completely captive?
- Pankaj Sarda:** For the Vizag plant, definitely we will be buying because we are sitting on the port there, but for Raipur, the RB1 and RB2 the South African coal that we are buying will come down, once our washery has started yesterday, so definitely the purchase will fall down by almost 50%.
- Yash Agarwal:** I had one bookkeeping question; so what is the EBITDA from the hydropower unit in the nine months?
- Padam Kumar Jain:** EBITDA is 154 Crores.
- Yash Agarwal:** Got it. Thank you.
- Moderator:** Thank you. The next question is from the line of Shubham Agarwal from Aequitas. Please go ahead.

**Shubham Agarwal:** Thank you for the opportunity. Good morning to the entire team of Sarda Energy. Sir, my first question was related to the steel division. If we see the total production of pellets till now, we have done close to 580000 and our capacity is close to 800000 ton, so my question is whether we will be able to reach our sale capacity in Q4?

**Padam Kumar Jain:** Maybe marginally lower than that. That is the total upper limit of 8 lakhs tons, we should be able to produce somewhere between 7.5 lakhs tons and 8 lakhs tons. 8 lakhs is the upper limit.

**Shubham Agarwal:** Secondly my question was in general I wanted to understand how will our spread go from here onwards because now we are seeing improvement in realization across our plants and secondly now these costs have also gone down, so how do you see the spread going ahead on QoQ? I will try once again, my question was regarding the spreads in the steel business, given that realization have started increasing in our coal blocks and have also resumed because of the coal, so how do we see the spread going ahead QoQ?

**Padam Kumar Jain:** Whatever is incremental benefit will be there on account of the coal that will be accruing to the company on the Q4 consumption part definitely.

**Shubham Agarwal:** I will come back in the queue.

**Moderator:** Thank you. The next question is from the line of Madhukar, a shareholder. Please go ahead.

**Madhukar:** Congratulations for a very good result. Thank you very much. Cost of imported coal is how much and what is the quantity? What is the cost of mined coal, local coal, is how much and what is the quantity?

**Manish Sarda:** The cost of imported coal has crossed Rs.15000 a ton, export plus Rs.2000 is the transportation cost.

**Madhukar:** So, Rs.17000.

**Manish Sarda:** Rs.17000 plus, yes.

**Madhukar:** What will be the quantity imported?

**Manish Sarda:** The quantity imported it will go down now. So, we were almost around 500000, 0.5 million to 0.4 million we were importing for our Raipur plant, so we expect to reduce it by 50% immediately.

- Madhukar:** 15%?
- Manish Sarda:** 50%.
- Madhukar:** And what is the mined coal cost, local cost?
- Manish Sarda:** So, it indexed based Sir. So, depending on the quality of the grade that comes out of the mine, there is an index on that basis, so it fluctuates from month to month. Every month the new prices come in the index depending on the rates of the imported coal and the SECL or CIL coal and they have a formula. It is a formula based index, so based on that index and the grade of the coal, the rate of the coal is decided.
- Madhukar:** What was our grade of the coal?
- Manish Sarda:** Primarily our grade coal is around G-14 to G-12 grade of coal and based on the index it comes to Rs.1800 to Rs.2200.
- Madhukar:** Rs.2000 per ton.
- Manish Sarda:** Per ton and plus cess plus GST.
- Madhukar:** That comes to how much?
- Manish Sarda:** Transportation cost, how much, roughly?
- Padam Kumar Jain:** There are varieties of grade. It will be very difficult to specify because we are producing G-12, G-14, G-17 then washing upgradation, there are multiple factors, so giving any specific number on the pricing will be very difficult.
- Madhukar:** You can give a range of average?
- Padam Kumar Jain:** It will range between Rs.4000 and Rs.7000 depending upon the quality.
- Madhukar:** But then our quality of this G-14 is how much kilocalories per kg?
- Padam Kumar Jain:** That is specified by Coal India Limited. You can verify that.
- Madhukar:** Very good. Coal India is now selling the coal produced by Coal India on auction basis?



- Manish Sarda:** It is long-term linkage also, five years, long-term linkage is also available, which they offer from time to time. You can block your coal in that. It is an auction process and they come out with the spot auction also.
- Madhukar:** Spot auction also and transfer?
- Padam Kumar Jain:** Yes.
- Madhukar:** Because the way the prices have risen, we feel corruption in Coal India, we fear rather, so the better thing is that they auction it?
- Pankaj Sarda:** I do not have any comments regarding your statement.
- Madhukar:** Understood Sir. Thank you, Sir. Again, very good wishes.
- Moderator:** Thank you. The next question is from the line of Aman Madrecha from Augmenta. Please go ahead.
- Aman Madrecha:** Good morning. I have two questions; as it was evident from the result that the ferro alloys realizations have increased, so how are you looking at the demand on the ferro alloys front? Like is there any actual demand going on and are we expecting that this demand should continue going forward till Q4 of this year and Q1 of next year as well?
- Padam Kumar Jain:** On demand front we are finding very good demand for the product and that is the reason why the prices are moving up and we do not foresee in the near future any fall in the prices, at least in the near future.
- Aman Madrecha:** Sir, what about in the steel segment like what is the demand outlook on the same, like are we witnessing any slowdown of demand on that side or is it just the same or is it just a quarter thing and the demand would have been back based on your order book currently?
- Pankaj Sarda:** Now what you see is that almost in all the states the COVID situation is improving and thus all the construction activities are again picking up, all the projects have started. So, we see a pickup in demand in coming future. Also, the coal and coke prices have also gone up, I mean, we do not see any reduction in prices also.
- Aman Madrecha:** So, you are not seeing any reduction on the raw material prices on the coking coal front?
- Pankaj Sarda:** On the coal and coke front, the prices look very robust and increasing.

- Aman Madrecha:** So, all in all we can expect a good quarter for ferro alloys in times like Q4 for ferro alloys as well?
- Pankaj Sarda:** It should be.
- Aman Madrecha:** Thank you.
- Moderator:** Thank you. The next question is from the line of Prayesh Parekh from JMP Capital. Please go ahead.
- Prayesh Parekh:** Good morning, Sir. Sir, I have a small clarification, in budget it was announced that all the antidumping duty on import of steel and products has been totally removed. Will this have any impact on our finished sales of billets or wire rods or wires?
- Manish Sarda:** It will not have any impact. In fact, in the budget they have also mentioned that the scrap duties, they are extending it by another one year in terms of the scrap imports, they are extending it for another one year. What they have removed is for the stainless steel sector.
- Prayesh Parekh:** So, we will not have any impact according to you, right?
- Manish Sarda:** For only alloy steel products and stainless steel products, there will be any impact. It does not impact our category of products.
- Prayesh Parekh:** Thank you for clarification Sir. Thank you.
- Moderator:** Thank you. The next question is from the line of Renuka Jadhav an individual investor. Please go ahead.
- Renuka Jadhav:** Thanks for the opportunity. Sir, my question is on your Sikkim Hydro project. You have mentioned that you have started repaying your debt. Sir if you could give the numbers, like how much you have repaid and what is your plan going forward?
- Padam Kumar Jain:** We have prepaid amount of about Rs.115 Crores, we said in our initial address and the amount due is maybe Rs.7 Crores to Rs.8 Crores. So total about Rs.120 Crores of the amount we have prepaid in the current quarter.
- Renuka Jadhav:** How is the plan going forward?

**Padam Kumar Jain:** We are in the process of refinancing the debt from lenders. After negotiation with the existing lenders, if the rates are reduced, that is also possible. The negotiation is going on and that will be closed before the end of the current quarter.

**Renuka Jadhav:** That is it from my side. Thank you.

**Moderator:** Thank you. The next question is from the line of Nagesh Rajanna from NR's Family Office. Please go ahead.

**Nagesh Rajanna:** Very good morning Sarda Ji. Congratulations on an outstanding quarter. I have two questions; when I go through your margins, quarter-on-quarter I see substantial fluctuation between Q1 and Q3 from 8.4% to 24% to 22.5% in PBT as well as usual fluctuation in PAT. My first question is why such a fluctuation in your profit margins and the second question is what kind of a profit margin one can actually look for in a going forward basis?

**Padam Kumar Jain:** You see there has been a price fluctuation in a very wide range, both in the finished goods as well as raw material. In case of finished goods you see the pellet had gone up to 18000 and went down to 9000. Same is the case with the coal, coal had gone up from 7000 to 18000, so when the prices of the raw materials and finished goods both are fluctuating in a wider range the margin percentages are bound to fluctuate in a wider range. Giving outlook, whatever we could say, we have already given in our address. It will be very difficult to give any further guidance in the matter because the market is volatile.

**Nagesh Rajanna:** I respect it. But could we have some kind of a broad range from Q4 to next year? Do you have some kind of a broad range?

**Padam Kumar Jain:** In the present market conditions the prices of the raw materials are also fluctuating in a wider range and China factor has become a vital aspect when China importing a bigger way then the prices are fluctuating at a much larger level. So, giving outlook specific figures will be very difficult. Overall scenario whatever we could say on the outlook has already been given in our address.

**Nagesh Rajanna:** Shall I ask one more question; when I look at your quarter-on-quarter revenue, your Q3 revenue was substantially lower than Q2 could there be any reason?

**Padam Kumar Jain:** Yes, that we have told that in the second quarter one aspect was that hydropower generation is at its peak in second quarter. Marginally the revenue is lower that is only on account of this otherwise marginally revenue is not lower much. If you see our revenue in the second quarter was 1025 Crores and in Q3 it was 999 Crores, or 1000 Crores. It is hardly 25 Crores

of difference. That is mainly on account of the hydro revenue. Otherwise third quarter revenue is higher than the second quarter.

- Nagesh Rajanna:** What could be the projection for Q4 in terms of revenue, what can we expect?
- Padam Kumar Jain:** It should be in line. I think second and third quarter if it is in the range of 1000 Crores it should fall in line.
- Question:** Thank you.
- Moderator:** Thank you. The next question is from the line of Chetan Shah from Abakkus Asset Manager LLP. Please go ahead.
- Chetan Shah:** Congratulations on a good set of numbers. Just a small clarification on our net debt data, Sir, you mentioned 1200 Crores if I heard it right?
- Pankaj Sarda:** Correct.
- Chetan Shah:** So about 1600 Crores odd is the consolidated debt and roughly 400 Crores is the cash in the book. That is the right understanding?
- Padam Kumar Jain:** Cash and investments.
- Chetan Shah:** Yes. That is what. Thank you so much.
- Moderator:** Thank you. The next question is from the line of Rajesh Bhandari, an individual investor. Please go ahead.
- Rajesh Bhandari:** Congratulations for the good results. Sir, I have two, three small points; one is the demand for ferro alloys for the fourth quarter and first quarter of FY2023? That is one. The other one since we are going into the production of the coal, then the cost difference would be around 10000 per ton, for at least the Raipur plant, so if we see that will there be a saving of Rs.200 Crores per annum on the coal itself if the prices remain the same?
- Pankaj Sarda:** Regarding coal, what we are producing, what we are getting from the coal mine is around G-12, G-14 grades. It cannot be compared with the high-grade coal that comes from South Africa.
- Rajesh Bhandari:** That I understand Sir. You will be beneficiating the coal and you will be upgrading it?

- Manish Sarda:** What we will do is we will beneficiate it and upgrade it then too it will not be of that level, you have to understand is so the RB-1, RB-2, RB-3 grade coal is being used in sponge iron whereas G-14 grade coal is being used for all the power plants by captive power plants, so after upgradation also, we can upgrade it, so that can be used, but we cannot eliminate the use of imported coal.
- Rajesh Bhandari:** The difference between the 7000 and 17000 the difference is Rs.10000 per ton, which is there, so do we have Rs.2000 Crores, per annum will be Rs.100 Crores, for us? The coke prices are stable and it has slightly come down?
- Pankaj Sarda:** Last week, further there has been increase of Rs.500 a ton, so almost it is going above Rs.45000 a ton.
- Rajesh Bhandari:** What is the normal consumption for us?
- Pankaj Sarda:** The consumption of coke for us is there in ferro alloys plant only and 50% of our FC requirement comes from coke. So, there will be some impact. That is why we told also that the prices of ferro alloys does not look like it will go down. It does not look like it will go down in the coming quarter.
- Rajesh Bhandari:** Yes, I understand that. In fact, from Q2 to Q3 ferro alloys prices and the realization has been better?
- Pankaj Sarda:** Yes.
- Rajesh Bhandari:** What is the approximate range in which our ferro alloys go into?
- Padam Kumar Jain:** Now it is around 105000 or thereabout.
- Rajesh Bhandari:** But in Q2 it was between 90000 and 140000?
- Pankaj Sarda:** It went up to 140000, it was just touching about 140,000, it was not the average realization.
- Rajesh Bhandari:** But then how much is our production cost?
- Pankaj Sarda:** Production cost will be very volatile. It depends upon volatility of the coal prices.
- Rajesh Bhandari:** I understand Sir. I just want to know a range, can you provide some idea?
- Pankaj Sarda:** It will be very difficult to give because it will in fact create confusion only.

- Rajesh Bhandari:** Sir, what are the mark-to-market losses?
- Padam Kumar Jain:** On currency?
- Rajesh Bhandari:** I do not want for the currency.
- Padam Kumar Jain:** The investments which are there, like, we have some equity investments in our balance sheet, whenever the equity price fluctuates, then we have to bring it to the book entry. This is notional basically. Totally notional. The equity market was down in December that time the prices got some correction, because of that there was a notional entry and that is not an actual loss.
- Rajesh Bhandari:** In general, if we take out the hydropower and mark-to-market losses then we have done better than Q2?
- Manish Sarda:** Yes.
- Moderator:** Thank you. The next question is from the line of Chetan Shah from Abakkus Asset Manager. Please go ahead.
- Chetan Shah:** Sir, if I ask the price rise which we have taken in the last couple of months, are sufficient enough to take care of the cost push due to higher raw material both coke and coal and other raw material or do we need to take some more price rise in case if this raw material price prevails what it is right now? That is what I think he was trying to understand?
- Padam Kumar Jain:** I think a price rise in the raw material is reasonably offset by the price rise in the finished goods so we have been able to pass on the price rise of raw material to on the finished side.
- Chetan Shah:** Thank you so much Sir.
- Moderator:** Thank you. The next question is from the line of Maan Vardhan Baid from Loyal Investment Advisors. Please go ahead.
- Maan Vardhan Baid:** Good afternoon Sir. Congratulations on a very good set of numbers. Sir wanted to understand what is the capex that is lined up here on and what would be the commissioning schedule for the various sort of expansion plans that we have?
- Padam Kumar Jain:** As already stated in our address, our ferro alloys plant in Visakhapatnam will be commissioned in the next financial year then our Rehar Hydropower Project of 25 megawatt will be commissioned in FY2204-2025, one coal mine and washery has already

started in this quarter and second coal mine will take between three to four years from here. These are the three major projects which are going on.

**Maan Vardhan Baid:** So on account of the coal mine and washeries that have started what would be the savings that we will generate on an annual basis a ballpark figure given where prices are right now?

**Padam Kumar Jain:** As already discussed price rise may fluctuate, we expect it should be in the range of I think EBITDA level it should be in the range of Rs.1000 a ton on minimum side that should be the earning on the coal mine.

**Maan Vardhan Baid:** So even in the present scenario of coal prices still the savings will get Rs.1000?

**Padam Kumar Jain:** It may increase in the present scenario but how long it will sustain, and all those things are there.

**Maan Vardhan Baid:** Of course, I mean pricing is not under anyone's control but that is what I wanted to understand from you?

**Padam Kumar Jain:** We take a longer-term view because in the short-term prices may fluctuate and presently also fluctuation in the coal prices vary from grade of coal. More fluctuation is on the very high grade of coal RB1, RB2 which is used more in the industries., not from the energy perspective. The pricing of the low grade coal which is used generally for the energy requirements of the power plant and other heating purposes their price increase is not that much.

**Maan Vardhan Baid:** Fair enough and on the hydel power front since Sikkim has been commissioned this year it is yet to see a full year revenue, so there was obviously the seasonality quarter two to quarter three just wanted to understand the seasonality I mean will quarter four be better than quarter three? Will it be like quarter two or will it be some...?

**Padam Kumar Jain:** Quarter four is a little poorer than the quarter three because the minimum water availability is in the quarter four.

**Maan Vardhan Baid:** So Q1, Q2 will be better quarters for this particular side of the business Q3, Q4 will be weaker quarters?

**Padam Kumar Jain:** No. Q2 is the best quarter then Q3 then comes from Q1 and then Q4.

**Maan Vardhan Baid:** Thank you.

**Moderator:** Thank you. The next question is from the line of Vikas Singh from PhillipCapital. Please go ahead.

**Vikas Singh:** Good afternoon Sir. Just wanted to understand is the price increase we have taken so far sufficient enough to meet the cost inflation so essentially what I am looking at the margins of sustainability in 4Q and going forward?

**Padam Kumar Jain:** The margin should remain sustainable in the present scenario. We have been able to take price increase in the finished goods so far.

**Vikas Singh:** In terms of ferro alloy plant upgradation so given that these prices have been pretty good and in terms of upgradation we may lose out some of the volumes during a peak pricing time so just wanted to understand are we still going through with our plan or we would delay it and try to take advantage of the goods in this scenario?

**Pankaj Sarda:** As told in our address, we have upgraded all our ferro alloy furnaces and all our ferro alloy furnaces are running at full capacity from November 2021.

**Vikas Singh:** Lastly the capex figure if you could give us what we have spent so far a total yearly target and next year target?

**Padam Kumar Jain:** We do not have immediately we will come back to you offline.

**Vikas Singh:** That is all from my side. Thank you for taking my questions.

**Moderator:** Thank you. The next question is from the line of Madhukar, a shareholder. Please go ahead.

**Madhukar:** Sir we are manufacturing steel through sponge iron route while other large manufacturers are doing it through blast furnace route, which gives you coke which is very costly. What is the difference in cost of production due to coke or coal in production of one ton of steel?

**Pankaj Sarda:** Definitely there is a huge difference in cost of production but the end products that the large manufacturers are making is little different than what we are making. They are making HR coils, they are making alloyed steel, they are making a very high grade of steel and for which the realization is also much higher.

**Madhukar:** But if you can just for understanding our coal cost is very low so sponge iron is much cheaper than blast furnace, what approximate difference in cost of product?



- Pankaj Sarda:** Sponge iron in induction furnace route we make MS grade steel and through blast furnace route they make alloy steel and HR coils.
- Madhukar:** Very true Sir. But cost of production if you can throw some light if it is possible?
- Padam Kumar Jain:** Both are not comparable at all. Sponge iron is ultimately used again in the liquid metal manufacturing whereas in case of blast furnace it is a direct liquid metal. It goes to the induction furnace. So sponge iron cannot directly be compared with the liquid metal.
- Madhukar:** Thank you.
- Moderator:** Thank you. The next question is from the line of Murli Khandelwal, an individual investor. Please go ahead.
- Murli Khandelwal:** Good morning I want to understand that capacity of Neelachal plant at enterprise value of around 13000 Crores here the capacity is around 1.1 million tons per annum, so how do you look at this deal? Can you please throw some light on it?
- Padam Kumar Jain:** It is not only the capacity of the plant to get the value I think there are other intangible assets, they have got certain mining rights or mines.
- Murli Khandelwal:** They have some 100 million tonnes of capacity.
- Padam Kumar Jain:** Valuation I think is to that effect also. It is not only on the capacity of 1.1 million you have to see the entirety of the assets or benefits they are getting, attached with the plant.
- Murli Khandelwal:** If you look only at the capacity and if you compare to our company then how you look at this deal and if you compare the valuation of Sarda and that Neelachal park?
- Padam Kumar Jain:** Both are not comparable at all they are in a different route, we are on a different route there are different products not at all are comparable.
- Murli Khandelwal:** Thank you very much.
- Moderator:** Thank you. The next question is from the line of Rajesh Bhandari an individual investor. Please go ahead.
- Rajesh Bhandari:** Good afternoon again. The increase in the price of the coke, in the international market, are we not planning for putting in any small coke oven plant, where we have our own consumption and also we can sell it to the others?

- Padam Kumar Jain:** Generally coking coal is not available. We need to import the coking coal also. In our country, we do have a very less production of the coking coal, where we get the coke from it, because ultimately coking coal has become so expensive, so for that reason we have not yet thought and our requirement is also very less.
- Rajesh Bhandari:** Sir what is the yearly requirement for the coke?
- Pankaj Sarda:** It will be very less. I think it will be up to around 20000 tons or 30000 tons.
- Padam Kumar Jain:** Our requirement is very low. We use only in ferro alloys production, and not material.
- Pankaj Sarda:** For blast furnace route, they have a huge requirement of coke and that is why they have a coking coal plant.
- Rajesh Bhandari:** One request from our side, the float is very less for Sarda Energy so kindly think about stock split please.
- Pankaj Sarda:** We will.
- Rajesh Bhandari:** Really because the float is very less.
- Padam Kumar Jain:** We have noted your suggestion. We will take it up.
- Rajesh Bhandari:** Please Sir. Thank you.
- Moderator:** Thank you. The next question is from the line of Madhukar a shareholder. Please go ahead.
- Madhukar:** Sir if we have any questions later on, on what email id should be write?
- Padam Kumar Jain:** We have given the email id in our presentation.
- Madhukar:** Same place I can write.
- Nilay Joshi:** On the last page of the presentation, the details are mentioned.
- Madhukar:** I will see that. This is the best time you are passing through the steel industry is passing through in the history. You can always look at bonus and extra dividends. When we are rich, please give us by way of dividends or bonus.
- Nilay Joshi:** Whatever is in the best interest of all the shareholders, the board will take call accordingly.



*Sarda Energy & Minerals Limited*  
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**Madhukar:** Thank you very much.

**Moderator:** Thank you. As there are no further questions from the participants, I now hand the conference over to Mr. Pankaj Sarda for closing comments.

**Padam Kumar Jain:** We thank all the investors for participation in our earning concall. As already stated, the performance in the third quarter has been more or less in line with second quarter except for the hydropower business and this mark-to-market notional losses booked and also as stated in the outlook coal mines have started, washery started. All these things will add up to our competitive advantages and hopefully we are quite hopeful the things will go in a better way. With this we thank all the participants once again. If anyone has any query, they can connect on the coordinates given in our presentation or information given on the websites of the stock exchanges, anytime they are welcome.

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