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The Listing Department
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Stock Symbol & Series : IMFA, EQ

The Deputy General Manager
(Corporate Services)
BSE Limited
Floor 25, P.J. Towers
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Mumbai-400001
Stock Code : 533047

Sub : Earnings Call Transcripts

Dear Sir / Madam,

Pursuant to Regulation 46(2)(oa) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, the transcript of the audio call recording of the Company's Analyst Call held on 25th May 2022, on the Audited Standalone and Consolidated Financial Results of the Company for the quarter and year ended 31st March 2022 is attached herewith.

The transcript of recording can also be accessed on the Company's website, from the attached link:

<http://www.imfa.in/investor-information/ParticipantsandTranscript.html>

You are requested to take the same on record.

Thanking you

Yours faithfully
For INDIAN METALS & FERRO ALLOYS LTD


for (PREM KHANDELWAL)
CFO & COMPANY SECRETARY

Encl : As above.



**“Indian Metal & Ferro Alloys Limited Q4 & FY-22
Analyst Conference Call”**

May 25, 2022



MANAGEMENT: MR. PREM KHANDELWAL – CFO & COMPANY SECRETARY, INDIAN METAL & FERRO ALLOYS LIMITED
MR. BIJAYANANDA MOHAPATRA – COO, INDIAN METAL & FERRO ALLOYS LIMITED
MR. DEEPAK MOHANTY – HEAD, FERRO ALLOYS BUSINESS, INDIAN METAL & FERRO ALLOYS LIMITED
MR. BINOY AGARWALLA – HEAD, POWER BUSINESS UNIT, INDIAN METAL & FERRO ALLOYS LIMITED
MR. SANDEEP NARADE – HEAD, MINES BUSINESS UNIT, INDIAN METAL & FERRO ALLOYS LIMITED



*Indian Metal & Ferro Alloys Limited
May 25, 2022*

Moderator: Ladies and gentlemen good day and welcome to the Indian Metal & Ferro Alloys Limited Q4 FY22 Analyst Conference Call hosted by Perfect Relations Private 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 an operator by pressing the '*' then '0' on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Ms. Mamta Samat from Perfect Relations. Thank you and over to you ma'am.

Mamta Samat: Thank you Peter. Good morning, everyone and thank you for joining us on the IMFA's Q4 FY22 analyst conference call. Today we have with us the senior management represented by Mr. Prem Khandelwal – CFO and Company Secretary, Mr. Bijayananda Mohapatra – COO, Mr. Deepak Mohanty – Head of Ferro Alloys Business Unit, Mr. Binoy Agarwalla – Head of Power Business Units and Mr. Sandeep Narade – Head, Mines Business Unit.

Before we begin, I would like to say that some of the statements that would be made in today's discussion may be forward looking in nature. We will begin the call with the opening remarks from the management, after which we will have the forum open for the interactive Q&A session. I would now request Mr. Prem Khandelwal for the opening remarks. Over to you sir.

Prem Khandelwal: Good morning, everybody. Financial numbers are already with all of you, it's in the public domain. We are published that. So, I'll start with the production sale numbers; production for Q4 is 61,462 tons and sales is 70,395 tons. Average realization for the quarter is around Rs 1,06,000 per ton and average cost is around Rs 82,700 per ton. with that we can start the question-answer session. Thank you.

Moderator: Thank you very much. We will now begin the question-and-answer session. Our first question is from line of Shubham Agarwal with Aequitas India.

Shubham Agarwal: Firstly, my question is with regards to volumes. So, if we see the production number this quarter versus last quarter, we have seen significant drop and if we also see the overall production number which was 2,46,000 for the current year, has seen a 5% drop compared to 5,59,000 almost 5,60,000. So, I wanted to know now going forward what kind of volume can we expect and is there some debottlenecking possibility from our plants.

Prem Khandelwal: Shubham you're comparing the Q4 versus Q4 of last year?

Shubham Agarwal: Yes, Q4 versus Q4 of last year and overall FY22 number versus FY21 number.

Deepak Mohanty: Shubham actually last quarter of the previous FY21 it was 67,000 versus 61,000. That's primarily because of the pandemic situation we were producing but lot of material remained unprocessed, which have been handed over in the fourth quarter. That is one of the major reasons for which number is 67,500 in that quarter vis-à-vis 61,500. That is one major. Apart from that particularly

on annual figure if you talk about it's a drop of about 13,000-14,000. That also includes major quantities from backlog material apart from that we suffered sometimes on account of the oxygen shortage in the month of April-May, the Yash cyclone particularly at Choudwar and one of our **substation** transformer was out last year for that there was little bit drop in production. Also, there is another reason, we have produced this particular year ferro-chrome with higher grade like 61% as against 59 % in the previous year. So that accounts for also quite a bit of volume. With the same kind of ore with an quantity of ore we produce higher grade then you produce less. So, on those accounts basically is the difference. As you know we produced around 2,50,000 per annum and every quarter it will be in the range of 60,00 to 62,000. In that manner it is more or less in line and particularly in this quarter that also will be in that range of 61,000 tonnes

Shubham Agarwal: Thank you for the elaborate answer. Secondly now coming to the cost of production. Basis the number that is given to us, it seems like we had a cost increase of almost Rs. 4,200 for a ton Q-on-Q. So, I wanted to understand and most likely this cost increase is because of coke and the coal. So, going right now from Q1 onwards do we see further increase in cost per ton or we kind of settled on per ton cost right now at 82,700?

Prem Khandelwal: No Shubham I think we'll see some more cost pressure in Q1 on account of coke and coal because the prices have gone up, particularly the coal price has gone up very high so which is going to be consumed in Q1 and Q2. We might see some more cost pressure in Q1 especially.

Shubham Agarwal: But as per your internal estimation what would be per ton increase in cost basis our raw material average right now?

Prem Khandelwal: That we need to work out, we have not yet worked out that, depends on what kind of stock we are consuming. So difficult to predict at the moment.

Shubham Agarwal: The cost increase will be similar to Q4 versus Q3 or it will be slightly higher than that?

Prem Khandelwal: Q3 versus Q4 if you see the cost increase is around Rs. 8,000 a ton. So yes, maybe around that level we could see a cost pressure of around that level only in Q1.

Shubham Agarwal: In Q1 versus Q4?

Prem Khandelwal: Yes.

Shubham Agarwal: Lastly on the realization part, so obviously we saw a drop in Q4 but since then I think the realization of ferrochrome has been very strong, upwards of almost 1,25,000. Firstly, I wanted to understand what was the key reason why this realization is so high and what is the predictability of this realization staying high.

Deepak Mohanty: You are talking about realization going up in the Q4 or you are asking from Q4 to Q1, what is the reason ?

Prem Khandelwal: Deepak Q4 to Q1 because Q4 realization has gone down.

Deepak Mohanty: Q4 vs Q1 as you know because of the Russia-Ukraine war and other nickel prices went up and there was a cyclone in Australia which affected the coking coal and all, so coke and all other prices went up. In order to take care of the cost push as well as the availability bottleneck, the benchmarks increased by 36 cents in Q1 of this year. So that is the reason for the increase. But it is a little bit truncated particularly in case of China because of the pandemic situation. Anyways, we are expecting higher realization in Q1 compared to Q4 of last year and in Q2, it will be more or less in similar lines because again in Durban, South Africa, a flood is forecasted in view of continuous rain, which will affect Durban port operations. Further, Chinese chrome ore stock has gone down to 2.4 million level from earlier 2.7 million and 3.5 million, industrial activities have come down but once the pandemic situation gets softened then things will be different and we are expecting more or less in similar line at least for next quarter going ahead minus slow down to that could happen.

Shubham Agarwal: There was also news that chrome-ore export out of South Africa went down significantly because of floods there, did this also help increase in realization?

Deepak Mohanty: In China particularly the May tender price went up by 650 RMB from there 9,000 to 9,650 that mainly because of chrome-ore prices going up from the UG2 which is mostly used which was around 175 that went up to 295 to 300 to that extent only. But the activity level has come down there also in China because of the pandemic. As you know the COVID policy by the Chinese government so for that reason and the stocks are coming down. Post once COVID situation softens, the rail voyage activity will go up and in that situation this Durban port which is the major port and chrome-ore availability things are going to go up faster than the present scenario.

Shubham Agarwal: Thank you for the answer. Lastly, I had few bookkeeping questions. Firstly, if we see the employee cost which has gone up by almost 20 crores on an average this quarter. If you can explain the reason. Secondly, on the depreciation side it has gone up by 10 crores without any CAPEX getting capitalized. I wanted to know this reason also. Lastly on that tax, what would be at our average tax going forward, these three bookkeeping questions I asked.

Prem Khandelwal: As far as depreciation is concerned Shubham, that has gone up because we have changed the life of some of the mining assets. As the auditor had pointed out that the mining assets life should be taken as per the mining lease. Till now we were providing depreciation based on Companies Act. Because of that the depreciation has gone up by 10 crores, changing the life of assets, mining asset especially and the taxation, since we have now opted for new regime. So, tax rate is going to be around 25% going forward. What was the third one?



- Shubham Agarwal:** Is the employee cost.
- Prem Khandelwal:** Employee cost has basically gone up because of Managerial Remuneration Provision of commission for directors. Since the profit has gone up, so the managerial remuneration has also gone up in Q4.
- Shubham Agarwal:** This will normalize from Q1 onwards, right?
- Prem Khandelwal:** Yes.
- Shubham Agarwal:** And taxation new regime so 25%?
- Prem Khandelwal:** 25%, yes.
- Moderator:** Our next question is from line of Siddharth Mehta with Strategica.
- Siddharth Mehta:** My question was related to the pricing that you see for ferrichrome going forward. Do you see the increase in prices sustaining, do you see a higher price, do you see that it should go past our excess cost that you're foreseeing of about Rs. 8,000 per ton? The second question was, are you comfortable with the supply for the Mahanadi coal and on the linkages are you comfortable or are there problems in getting that?
- Prem Khandelwal:** As far as price is concerned very difficult for us to give any long-term projection for our prices. At best we can predict for next two quarters. As Mr. Deepak already informed, next two quarters looks to be good, beyond that very difficult to predict any price movement. As far as coal is concerned, I will request Power BU head Mr. Binoy to brief you.
- Binoy Agarwalla:** Actually, I just wanted to convey we have linkage option through, we have fuel supply agreement with MCL through linkage e-auction and our total capacity through linkage e-auction is 4,58,000 which is we are self-sustained with that tonnage of coal. Now actually what is happening, we are getting by road coal and we are not getting by rail-coal. We are pursuing with MCL to get rail-coal by road, so that our problem will be little bit easier for our generation.
- Siddharth Mehta:** This is part of the increase that we are seeing Rs. 8,000 per ton increase, this is contributing partly to that increase.
- Binoy Agarwalla:** Sorry I couldn't get you, actually by rail the cost is less than thru road transport
- .Siddharth Mehta:** The cost increase that you have mentioned of Rs. 8000 per ton, this issue is also contributing partly to that?
- Prem Khandelwal:** Yes, all coal is part of that.



- Siddharth Mehta:** As far as pricing goes, I understand nobody can predict of course the future but from your sense of it in the next quarter and the quarter after that, are you seeing an increase to counter offset this Rs. 8,000 or this Rs. 8,000 you feel we will have to absorb?
- Prem Khandelwal:** No, as we have already told that the price increase, we are seeing around, the Q4 price exact price was 1,06,000 and we are expecting it to be around 1,20,000 in Q1 and around the same level in the Q2 also.
- Siddharth Mehta:** All right. That answers my question. And one last question on the court dates, every time we notice that they give us a court date. Can we be little bit aggressive and insistent, now too many dates are there and put some little bit of aggressiveness and say that 'no we want to go forward on this case, how many court dates are we going to get like this?
- Prem Khandelwal:** Which court date you are talking about, Utkal coal?
- Siddharth Mehta:** Yes, Utkal C.
- Prem Khandelwal:** Utkal C court date, we are just trying to expedite the determination of compensation. Otherwise, the allotment is already there and the agreement is to be signed. Once the agreement is signed then dates are frozen. As per the auction time lines, within 80 days we should be getting back our money. So, we are waiting for the allotment agreement to be signed. In the meantime, if the court case come then we'll again push the matter there for expediting the matter.
- Siddharth Mehta:** The bottleneck here or the broken link here is the agreement to be signed or the bottleneck here is the court date, which is the critical issue right now?
- Prem Khandelwal:** Court date is not a bottleneck; court date is just route to expedite the allotment agreement signing.
- Siddharth Mehta:** Either one whichever comes first that would be in our favor. May I request sincerely to be little aggressive to request the judge to now hear the matter instead of just giving us dates every time. It is going on for over a year now.
- Prem Khandelwal:** Those things you know in India how court functions so, even if yes even if we request them they are not going to listen. They will give date as per their convenience only.
- Siddharth Mehta:** Anyway, please do try to be little aggressive.
- Prem Khandelwal:** Yes.
- Moderator:** Our next is from the line of Saket Kapoor with Kapoor Company.

- Saket Kapoor:** On this court case date parcel, already I think so there's a new winner for the coal block. I think so we have withdrawn PIL earlier because of which the process has gone through. What is currently the merit of the case, is it a compensation part only we are speaking? Just wanted to understand the court and post the allotment happening now what is the merit of this date coming up?
- Prem Khandelwal:** No this is a different case Saket altogether. Earlier we had withdrawn because the allotment was not being done. Once the allotment has been done, we have redrawn the PIL. Then we have gone to the court for early determination of compensation. It's a different case, that case is over.
- Saket Kapoor:** Now this case is for the compensation part to be released to us?
- Prem Khandelwal:** Yes.
- Saket Kapoor:** And that will happen only when the block is awarded and that agreement is signed?
- Prem Khandelwal:** Block is already awarded and we are waiting for agreement to be signed. Once that is done then there is a period of 80 days, within 80 days we should be getting back our money.
- Saket Kapoor:** So, there is no ambiguity as such now, it is only the time-consuming process that is to be understood now?
- Prem Khandelwal:** Ambiguity in the sense?
- Saket Kapoor:** Ambiguity in the sense of release of money and the amount which is to be received by the company money. Does the compensation amount need to be determined also?
- Prem Khandelwal:** No, the compensation amount has not had been determined. That's why we are into the court that at least that should be determined. That is also not being done. So, but as per the process once the allotment agreement is signed then they will start that process of determination of compensation. So that is still not done.
- Saket Kapoor:** 80 days is only temporary. It is just a number; it may drag along further also. They will pay interest in that case?
- Prem Khandelwal:** No 80 days for all this process only, for determination of compensation then payment by the new allottee to government and from government to us. The 80 days period is for all this process.
- Saket Kapoor:** Correct. Coming to this the expansion partner of the story, at the Kalinganagar expansion. As today in the earlier interview Mr. Panda, our MD did clarify that the land allotment process will happen. I think the 33 crores have been spent currently. So, what is the further progress on the same and the ore for this expansion would be from this the existing mines only, we will be expanding the capacity there?

- Prem Khandelwal:** That also Mr. Panda has clarified in the interview that we are spending money on furnace as well as mines. The ore for this expansion will also come from our existing mines only.
- Saket Kapoor:** On the taxation part, we have mentioned that we are opting for the new tax regime and going forward the tax rate would be at 25.17% to be precise. Also, the same has been accounted for this year also, correct me there.
- Prem Khandelwal:** Yes.
- Saket Kapoor:** But when we look at the cashflow statement, we find the cash generation at 604 crores and the direct tax paid at 214 crores, that works out to be around 35% only. So, if you could clear that.
- Prem Khandelwal:** That tax paid could have some other elements also, last year elements also. That is not only the advanced tax. So last year tax also we'll pay in this year. That will also come. Prior period adjustment will also come in tax because that is cash flow statement. Whatever tax we are paying pertaining to current year, pertaining to last year that will also come in that figure. But if you see the provision, provision is 177 crores.
- Saket Kapoor:** If we take the capital working progress part also, there in also that has gone up from 248 crores to 266 crores, so what is that pertaining to, operational CAPEX only?
- Prem Khandelwal:** We have normal CAPEX of 60-70 crores every year. Some part could have been come there. Some project we have taken which is in process.
- Moderator:** Next question is from the line of Yash Chanda, an Investor.
- Yash Chanda:** I would like to know one thing, on the coal side how are our contracts priced whether they are long-term contracts, index linked or do we do spot purchases? Because the power cost was flat even in Q2 but later on it has gone up significantly in Q3 and Q4 as expected due to coal. How are we managing this coal crisis?
- Binoy Agarwalla:** Actually, we have fuel supply agreement with MCL through linkage e-auction. In tranche file we got around 3,60,000 metric tons and earlier linkage was 1,00,000. Around 4,60,000 we will be getting from MCL through linkage e-auction. Our requirement is around 5 lakhs because we are using washery reject and MCL coal in the ratio of 70-30. Our requirement is almost getting fulfilled through our linkage e-auction. That 50,000 requirement that will be fulfilled through spot e-auction or exclusive auction.
- Yash Chanda:** This we are talking about thermal coal, right?
- Binoy Agarwalla:** Yes, thermal coal.
- Yash Chanda:** I also understand that we procure coking coal from some international markets.



- Binoy Agarwalla:** That is coke being used in the furnace for production of Ferrochrome
- Deepak Mohanty:** We don't buy coking coal. We buy coke, so those prices have gone up. Certainly, at the moment if you buy it is more than \$700 but always, we keep plan and keep. So, our inventory whatever it is there that will go up to October and we have bought at a substantial lower price than the present and kept the things which is on the voyage or something on the port, with all that we'll be managing. And we expect that prices to come down around in 2-3 months' time once the situation improves and logistic costs bottleneck go out with the pandemic thing getting softening. So, then we'll be again ordering. We maintain the inventory of around 6 months which helps us in keeping the costs much lower than the present market scenario. Hope that answers your question.
- Yash Chanda:** Yes. What is our current coke cost dollar per ton if I ask because currently recently China also exported something to India at I think 600-628 CFR? Now it is at 700 as of date.
- Deepak Mohanty:** Our major booking and latest major booking, so that is in the range of \$480 to \$490. But we have got certain small quantity also which is something like around \$650., Basically, to increase the lead time for our next bulk procurement. So, overall average will be much lower than the present price level , prior to that also it was lower.
- Yash Chanda:** And this stock 480 or 500 whatever average may come, 500-520, we have till October you are saying?
- Deepak Mohanty:** Till October.
- Yash Chanda:** Second clarification, recently you had mentioned that currently our mine's capacity 6,50,000 which we are planning to take up to 1.2 million ton by FY27.
- Prem Khandelwal:** Yes.
- Yash Chanda:** Our plant at Kalinganagar will be 1 lakh ton plant?
- Prem Khandelwal:** Yes.
- Yash Chanda:** So that will need us 2,50,000 turnover roughly at a very rough estimate.
- Prem Khandelwal:** Yes.
- Yash Chanda:** So, are we planning to do oversell as well or is there any plan to debottleneck our expansion?
- Prem Khandelwal:** We we'll keep on expanding furnace capacity, there is no plan to sell ore. But as of now we have planned for two furnaces only. As and when we get more we will plan for more furnaces.



- Yash Chanda:** Do we have any enough space in the current facility?
- Prem Khandelwal:** There is space for one more furnace in the current facility. That we will take up after FY26.
- Yash Chanda:** And what will that number be when we expand the current facility?
- Prem Khandelwal:** We have not worked out anything, we'll take up once it comes to that level. It is too premature to discuss about that.
- Yash Chanda:** Understood. One more question on the duty changes have happened. Now I understand IMFA is majorly export player but do you foresee any impact on domestic ferrochrome prices because of this at 10%-15% IMFA domestic?
- Prem Khandelwal:** There is no levy on ferrochrome.
- Yash Chanda:** This is stainless steel demand.
- Prem Khandelwal:** But duty is on the steel, not on ferrochrome or stainless steel. I don't think it is on stainless steel. You are talking about the new export duty?
- Yash Chanda:** Yes. The new export duty couple of days ago.
- Prem Khandelwal:** The new export duty is on steel, it is on steel, it is not on stainless steel.
- Yash Chanda:** All right I will check once.
- Prem Khandelwal:** Because stainless steel as it is in India the installed capacity is much more than what they can consume.
- Yash Chanda:** Also, earlier the senior management was saying that we produced 61.7%-62% ferrochrome from the same quality of ore earlier from which we were producing 59 which has impacted our volume. Are we getting a premium also which compensate for the volume? What kind of premium do we get per percent of higher CR%?
- Prem Khandelwal:** The normal price is for 60% of chromium content. If the chromium content is more then we will get better price, better realization for that.
- Yash Chanda:** So that better realization compensates for the volume loss?
- Prem Khandelwal:** Yes.
- Moderator:** Our next question is from line of Abhijit Mitra with ICICI Securities.



- Abhijit Mitra:** I have two small questions actually; first on your ferrochrome sales for the full year what would that number be? Sorry, I don't have that number.
- Prem Khandelwal:** For FY22 you are talking about?
- Abhijit Mitra:** Yes.
- Prem Khandelwal:** FY22 total sales is 2,48,000 tons.
- Abhijit Mitra:** And this chromeore you have increased quite substantially in terms of production, almost 7% YOY. This growth rate we'll continue see for the next couple of years as well or how is this?
- Prem Khandelwal:** Yes. In fact, we are targeting more than 6 lakh tons and once our increased capacity in line maybe by FY25 or '26 we are expecting around 8 lakh tons. So gradually it will go up.
- Abhijit Mitra:** But because of falling grade is the production of ferrochrome coming up or how is it happening or because of capacity being completely.....
- Prem Khandelwal:** Falling grade of chrome-ore you are talking about?
- Abhijit Mitra:** Yes.
- Prem Khandelwal:** But grade of chrome-ore is not falling.
- Abhijit Mitra:** How do you explain the decline in ferrochrome production when your chrome-ore production has gone up?
- Prem Khandelwal:** The chromium content is going up in our production, ferrochrome production.
- Abhijit Mitra:** So probably from 55% to 60% that shift is happening?
- Prem Khandelwal:** Yes, earlier we used to produce 59%. Now we are producing 61%, so we will be getting some premium.
- Abhijit Mitra:** And just to understand the CAPEX profile over the next few years, what would be your CAPEX guidance for the next 3 to 4 years? How will the CAPEX ramp up?
- Prem Khandelwal:** Next 4 years 550 crores on furnace we have to spend and some expenditure will be there on the mining front as well. In mining total 1,000 crores we are going to spend over a period of 7 years.
- Abhijit Mitra:** Based on the **present market condition** now there is no immediate plan of raising debt or anything of that sort?



- Prem Khandelwal:** No. In fact, this entire CAPEX of 1,500 crores whatever is there 1,500-1,600 crores to be spent over a period of 7 years. We are planning from internal accruals as of now.
- Abhijit Mitra:** Your furnace capacity will start showing from which year?
- Prem Khandelwal:** By end of FY25 it should be operational, so FY26 it will be over.
- Abhijit Mitra:** So, 1 lakh ton of incremental capacity.
- Prem Khandelwal:** Yes.
- Abhijit Mitra:** Which will take your total ferrochrome production to probably around 3.5?
- Prem Khandelwal:** Yes.
- Abhijit Mitra:** And your mining capacity would reach by around 8 lakh tons by that any point of time?
- Prem Khandelwal:** Yes.
- Abhijit Mitra:** Total CAPEX I'll just repeat, it's 1,500 crores or its 1,000 crores incremental?
- Prem Khandelwal:** 1,000 crores on mines and 550 crores on furnace, total 1650 crores, roughly 1,600 crores you can say.
- Moderator:** Our next question is from lane of Joe Shah with Seven Seas Enterprise.
- Joe Shah:** Binoy one question for you. Do we get price advantage when we sign long-term coal linkages with Mahanadi or we get it from current price based? We just get the quantity from them but we have to pay the current price paid, coal at current price rate. Please clarify this.
- Binoy Agarwalla:** Actually, our requirement per annum is 5 lakh metric tons of MCL coal because we are using blending coal of MCL as well as washery rejects. Our requirement is 5 lakhs. Out of 5 lakhs we have long-term fuel supply agreement for 5 years with MCL that is 4,58,000. Another 42,000 requirement is there per annum. That can be bought in the open market like spot e- auction and exclusive e-auction. Actually, our MCL requirement is very less compared to washery reject.
- Joe Shah:** But from Mahanadi predetermined price, this we have to pay with current price or...?
- Binoy Agarwalla:** No, that is fixed price, notified price. It's a notified price during the auction type. We pay the transportation by road and by rail and that price is fixed and if MCL increases that notified price then only the coal price will go up otherwise it will remain at the same price.
- Joe Shah:** We get price advantage by buying from MCL, right?



- Binoy Agarwalla:** Yes, absolutely.
- Joe Shah:** Another question for you Prem, now this 1 lakh tons capacity Kalinganagar, the ore we would be getting from opencast mine or we will have to wait for underground Sukinda also to get the ore for Kalinganagar expansion?
- Prem Khandelwal:** No, we'll be getting from both the mines opencast as well as underground.
- Joe Shah:** But this Sukinda underground is it going to take time, will there be balance or there will be mismatch?
- Prem Khandelwal:** Sukinda opencast is still there up to next 7-8 years. After that we'll go underground, but till then we'll be getting ore from opencast. It's like whatever the combination is today we will continue with that combination going forward also. For the new furnaces we'll be getting both from opencast as well as underground.
- Joe Shah:** Even without Sukinda underground we can manage 1 lakh tons of Kalinganagar expansion, right?
- Prem Khandelwal:** Yes.
- Bijayananda M:** I will give an answer to this. Question is slightly different. Actually, we are planning to enhance the MMC, underground which is running now from 3 lakhs to 6 lakhs. This one will be done very fast. With this 6 lakhs and our opencast for SMC will coming around 3 lakhs. Within 6 to 7 years, all the opencast thing from Band 2. By that time, our underground is there which will be enhanced to 6 lakhs or 9 lakhs that depends upon the course of time. So, 6 lakhs plus 6 lakhs that is other than 6 lakhs from underground of MMC and 6 lakhs from underground of SMC that goes to 12 lakhs tonne per annum.
- Joe Shah:** Opencast will come to end after 6-7 years or so, right?
- Bijayananda M:** This opencast of Band 1 is getting close by '24 second half. Then by that time we'll strip out the band 2 opencast which we'll take out to another 6 years.
- Joe Shah:** Deepak one more futuristic question for you. As you know China that is coming out of COVID restrictions. Shanghai is also it is before that COVID is under control. In the interest rate by Chinese government is also lending is reduced. It will be done like in USA or Europe their economy by overrated at the increasing rate. Here in China, they are reducing rate to gear up the economy. My feeling is that going forward demand from China for ferrochrome will increase and we should have better realization. If we check UG2 chrome ore price from South Africa, is it around \$300 and China is saying \$300 for UG2 means they are ready to pay higher cost to ferrochrome. My feeling is that going forward from July-August-September also we can see some increase in our benchmark price from \$2.16 onwards, maybe something more. So, our

realization for '22-23 should be much higher. In the last year '21-22 say 1,10,000 or something like that. Although we cannot predict more than two quarters, but still feeling is that turnover for the year '22-23 should be more than Rs. 3,000 crores and absolute EBITDA also should be higher than present year EBITDA. So, what is your reading please?

Deepak Mohanty:

No, my reading is prices in Europe and other places need to come down little bit and in China it should go up, so that the demand supply balance remains in tandem and demand destruction doesn't happen which has happened to some extent in the European countries and other places. So according to me if it remains at a level which is good for all, then overall there will be steady and be better.. You might've heard in Denmark many slaughter house construction utilizing lots of SS got deferred in view of high SS price.. Europeans depend heavily on coal from Russia and Ukraine which has been affected due to war leading to increase in electricity prices . So similarly in China also it is at a much lower prices than the Europe and US. That should go up and it will go up because of the reasons I've already told, the stock of chrome ore is less and even South Africa is affected. With all those things naturally when the demand comes with the government intervention and the pandemic situation improves, things will stabilize and prices may go up. There'll be a meeting point where the overall sales pace is good for keeping the demand supply in tandem with a high price for everybody. Even the nickel prices, this is still hovering around usd 28,000 that needs to come down. So otherwise, things will not be in tandem. As far as EBITDA you are talking about, EBITDA cannot remain in the same level because your costs are going up. We have achieved better margin in the last year because of the low priced inventory with us but now the cost will be higher. I think that much anything it is, hope it answers your both the questions.

Prem Khandelwal:

As I said in our industry it's very difficult to predict anything beyond two quarters. I don't know we cannot depend our projections based on these numbers. We look for two quarters only, beyond that we need to see again.

Joe Shah:

It is understood but we are at IMFA, we are more concerned with ferro chrome price in China than ferro chrome price in Europe. With China starts improving, our realizations should also start improving and why I am discussing from the angle of UG2 price, UG2 price China is paying \$300 include around \$165 earlier. So high price UG2 price they are willing to pay means they are willing to absorb the high ferro chrome price and China paying high ferro chrome price because tender price for May also has gone up, ferro chrome price in China, tender price has gone up, all of these I consider it as a positive for IMFA and we are more concerned with Asia than for Europe. So, whatever has been happening in Europe is okay but we are more concerned with the Korea-Japan-Taiwan and China. We should have optimistic outlook for the '22-23. It is understood that beyond two quarters we cannot judge beyond two quarters UG2 is the main indicator for us?

Prem Khandelwal:

No, that is fine but we cannot intend to these kind of speculations. Whatever is possible we'll do that only, beyond that it's not possible for us to speculate anything.

- Joe Shah:** I am not speculating. Just repeating the business statement....
- Prem Khandelwal:** As UG2 prices are going up, it might come down also going forward. China strategy nobody knows. It's very difficult to predict anything in China. Talking the UG2 there and then they will pull down the price ferro chrome price. How do we base our any projections based on that?
- Joe Shah:** There is no weakness in UG2. There is a point. That is my sense, the UG2 is very strong at \$300 even in \$350 they would start it raising.
- Prem Khandelwal:** Those things are fine but we don't want to speculate anything beyond two quarters.
- Joe Shah:** That is okay. But this realization should be higher. That is a point.
- Prem Khandelwal:** May be higher but nobody knows what it is going to be so we are not going to give any figure beyond two quarters.
- Moderator:** Our next question is from the line of Deepayan Ghosh with ICRA.
- Deepayan Ghosh:** Number one, is that your current operation mine capacity I understand it's close to 6.5 lakh ton. Of course, Sukinda also recently got enhanced but it's yet to become operational. Your whole chrome ore consumption will be roughly 6,20,000-6,25,000 but despite having a 6.5 lakh capacity of mines why is it that your mines production is '22 was close to 559,000 t. So, I mean is there some problem to ramp it up again? Why is the reason we need to buy ore from outside given that ore prices outside are quite high? Would it be for blending or something?
- Bijayananda M:** Basically, this lower production has happened with last year because of the 2-3 things. One is that heavy rains, uncertainty to the rain and as limonite extraction. If you see the Quarter 4 it is higher than the budgeted and this 2,06,000 and also, we used to buy some ore from them to go for our mix requirement in the furnace. The furnace requirement also there some low-grade ore. So, for that we're buying. Anyhow we are going to expand like that Mahagiri mines we have up to our EC. Now we are going to increase our EC. Underground is meeting as per our capacity everything but this opencast we were finding difficulty in this unpredictable things, intrusion of limonite then heavy rain, unpredictable heavy rains. So, these things are in....
- Deepayan Ghosh:** Would it be possible to give us a number? What is your underground mining cost because of course opencast should be quite competitive but underground I mean it's much more expensive than open cast so just a number if you have at your disposal, open cast, and underground mining cost per ton?
- Prem Khandelwal:** No, we don't have the separate numbers for that. The blended cost of chrome ore at Choudwar all put together is Rs. 6,500, that is a number we have.

Deepayan Ghosh: The next question is on the coal front. Of course, we've seen that in the spot auctions that the coal premium exceeding 300%-345%. Of course, you have a very limited in this. Just wanted to understand your I mean coal because your yearly consumption of thermal grade coal for your power plant, I believe is roughly 9 lakh-9.5 lakh tons. How much of it comes from the washeries and how much and somebody just said you have an FSA for 4-4.5 lakh tons. So could you just give us a breakup as such. How are you reading the scheme 40 auctions rates going up to 345%-350%? Because of course now that I mean international coal prices very expensive. People are scrambling for domestic coal from e-auction. Also, what is the grade are you using if you could just give us that number?

Bijayananda M: Basically, we have three plants. Two plants are CFBC boilers (120 MW & 30 MW) where we are using a combination of 70 % washery rejects and 30% Grade 12 coal. We used to get G12 coal from MCL and for our 50 MW whenever required for running in place of any breakdown or planned shutdown in 150 MW. Our requirement is approximately Rs. 5 LMT from MCL and approximately. 7 LMT from washery rejects, so its approximately 12 LMT coal per annum. So approximately 3.5 LMT received by rake, 1 LMT by road. This 300% premium is in the recent spot auction and its hike is due to present coal crisis.. This is a short term effect and these types of premiums can not be considered for longer period.

Deepayan Ghosh: Any which ways you said spot e-auction your quantity is very limited 40,000-50,000 tons in the entire whatever numbers?

Bijayananda M: Actually, this is a big question. They're not giving rake to non IPPs and sending to IPPs by rake so they are building up stock and going for spot auction which is by road only. That's why it is going high because people kept low stock at their plants.

Moderator: Our next question is from the line of Abhijit Mitra with ICICI Securities.

Abhijit Mitra: Just to understand this CAPEX what part of the planning is it in, the contracts already I mean the part have been already tendered out or vendors are being finalized? What state because see if in EBITDA drops the cost normalized and EBITDA drops to the extent it was before. Do we have that option if you could slow it down over '24-25 or the pace of the CAPEX would be maintained? If you can help understand what stages is this CAPEX in?

Bijayananda M: We are targeting Kalinganagar plant commissioning in March 2025. For setting up plant, we will take 2 years. We have to start build up this by March 2023. We have been allotted the required land and we have already paid for this in February 2022. Today, incidentally demarcation is going on by Government of Odisha and IDCO. We are not going for total EPCs, rather going on a modular system. The basic engineering is in progress and for DPR we are going to engage some consultant which is yet to be decided.



- Prem Khandelwal:** Abhijit to add on that. There is no question of slowing down the project now. Once we take up it, we have to complete it and because both mining as well as furnace expenses are going on and we are expecting more ore from our mines by FY26. Once we start, we will have to complete it.
- Abhijit Mitra:** Essentially Rs.200-250 crores of CAPEX will have to do at least over '24-25?
- Prem Khandelwal:** Yes, I think FY23 may not be much amount but FY24-25, it would be a major chunk would come in those years.
- Moderator:** Our next question is from the line of Anant Mundra with Mytemple Capital Advisors LLP.
- Anant Mundra:** When does our mine lease expire?
- Prem Khandelwal:** One is 2049 and another is 2055.
- Anant Mundra:** How much is the reserve life like as in until when here can they expect minable? Is it there until that period?
- Prem Khandelwal:** I think we'll get enough ore by that time and further it depends on the exploration, further exploration will come to know whether we will get beyond that or not. But as of now whatever we have done the exploration we are going to last till then.
- Anant Mundra:** The coal linkage that we have with MCL that is till what year, until what year?
- Bijayananda M:** That is in March '23. It will expire in 5 years, so March '23 but that trench. In between every year one-two trench is to come for auction. So, we have to keep going on.
- Moderator:** Our next question is from the line of Saket Kapoor with Kapoor Company.
- Saket Kapoor:** Just one clarification. For this year we are planning to mine around 6 lakh tons of chrome ore this is versus 560 last year. How would be the ferro chrome production lined up? This year we did 246 so what should be the?
- Prem Khandelwal:** This year also we are planning around 2,50,000 which is the optimum capacity we have. So, this year also around that level we will be producing.
- Saket Kapoor:** This then extra ore which would be mine 10%. What's the thought process?
- Prem Khandelwal:** Last year we had to buy around 1 lakh ton of ore. We may not have to buy so much. Only for blending purpose we may have to buy somethings.



- Saket Kapoor:** Just a clarification more here that our cost has gone up by Rs. 8,200 from Quarter 3 to Quarter 4 and that is what is expected number for Quarter 1 also however the realizations have gone up from 1,06,000 to 1,20,000?
- Prem Khandelwal:** It is likely to be around 1,20,000 in Q1.
- Saket Kapoor:** That includes the average for both spot and long-term contracts?
- Prem Khandelwal:** Yes, average realisation price, because 1,06,000 also the average realisation price of Q4.
- Saket Kapoor:** Out of the total quantities sold on a quarterly basis how much is the spot and the contracted percentage?
- Deepak Mohanty:** Actually, it's more than 90% kind of, it may not be long term.
- Prem Khandelwal:** No, he's talking about contract and spot, not export.
- Deepak Mohanty:** Spot is very less. Mostly contract quantity is more than 90%.
- Saket Kapoor:** More than 90% is contracted quantity?
- Deepak Mohanty:** Yes.
- Saket Kapoor:** On the finance cost part it was mentioned that as in the balance sheet we don't have any long-term debt but still said there should be working capital requirement is there. So, the finance cost on an absolute number would look at what level? For this year it was around Rs. 52 crores for FY22 and now we have repaid all our long-term debt but I think the working capital requirement is to the tune of Rs. 400 crores?
- Prem Khandelwal:** Yes. Current year finance cost should be around Rs. 10 to 15 crores.
- Saket Kapoor:** I also read that export duty even on stainless steel had been imposed at 15%. An earlier participant did ask about it, just googled it out. It has been expected so in that case if the domestic stainless-steel production goes down since they are also if my understanding is correct 25% to 30% of the largest stainless-steel manufacture is also contracted on an export basis. If that proportionate goes wrong then the availabilities in the domestic market would increase. Since our commodity is benchmark at international prices so do you see any impact on ferro chrome prices going forward or the ones which earlier sir has mentioned about the demand destruction that may happen at these high prevailing prices would be more relevant for us to keep into mind?
- Prem Khandelwal:** As it is we are exporting around almost 90% of our product to far East Asia and ferro chrome prices are determined by European and South African players not by Indian players. Indian domestic prices are also driven by the export price. We should be more concerned over the export

price rather than the domestic price. What happens here is not going to determine our ferro chrome price. Yet to be seen the impact of export duty on stainless steel.

Saket Kapoor: Lastly on the other expenses bracket. It is all about variable part due to which the cost has gone up. That is the reason from last year level of 414, it's closer to Rs. 500 crores or do we have any?

Prem Khandelwal: Mainly because of the selling expenses, because the sales turnover has gone up too high. So, selling expenses have also gone up.

Saket Kapoor: So, it is proportional to what the selling prices are?

Prem Khandelwal: Yes.

Moderator: Our next question is from the line of Yash Chanda, an Individual Investor.

Yash Chanda: First on the contracts for the long-term sales contracts we have, 90% of the contracts are long term. How often do we revise prices for this? Are they linked to invest, it is on a **QT** basis over the shipment or nickel or is it on average of the last 15 years or the first 15 years? How do we price this long-term contract?

Deepak Mohanty: Our major long-term contract is on a quarterly negotiation basis. So, after every quarter we negotiate based on the benchmark movement and other factors, and few others are linked to monthly prices of . For few others, although we donot have any long term contracts but we supply to them every month but every month we negotiate. Our major contract that is with POSCO that we negotiate on a quarterly basis. Others on monthly basis somewhere it is negotiated, somewhere partly it is based on certain formula.

Yash Chanda: Supposedly we negotiate at the start of Q1 which is whatever moment we have seen in the earlier quarter. That price will be the price at which you will dispatch throughout the Q1?

Bijayananda M: Yes, we discuss how is the movement in benchmark price and what is the scenario and what is been in other part of globe. With that we conclude certain things at a price which is naturally up for the Q1.

Yash Chanda: Second is in a tooling side. In news articles multiple times it has been mentioned that Tata has partnered up with various small ferrochrome manufacturers in the state to which it provides, coke and chrome-ore and gets ferrochrome in return kind of leasing their facility for fixed price. So, does IMFA has any plans for tolling also?

Prem Khandelwal: No, we don't have any plans for tolling because we have our enough chrome ore with us. We have no spare capacity to enter into the tolling arrangement with anybody.

Yash Chanda: No, do we plan to give our ore to some other to expand our ferro chrome production?



- Prem Khandelwal:** No, we don't have a spare ferro chrome or chrome ore also. We expand our capacity based on our requirement only. As you might have heard earlier, we are planning two more furnaces and whatever ore is going to come we will consume that. We don't have spare capacity of chrome ore as well as ferro furnaces.
- Yash Chanda:** But just one clarification on this MSR part, last question from my end. You had said sales realization is 1,06,000 for Q4. Is it gross realization or net-sales realization what you are getting because other expenses also are selling expenses as you have told?
- Prem Khandelwal:** This is gross realization I'm talking about and other expenses are the selling expenses are booked under other expenses.
- Yash Chanda:** How much would that be on an average per ton?
- Management:** Sorry?
- Yash Chanda:** Per ton of chrome ore, what will be our average selling expenses?
- Prem Khandelwal:** Deepak, would you have that number. I don't have that number.
- Deepak Mohanty:** May be 6,000-7,000 additional everything put together.
- Yash Chanda:** \$100?
- Deepak Mohanty:** I am not 100% but it will be freight and other things put together 7,000 around.
- Yash Chanda:** Roughly \$90-\$100, right?
- Prem Khandelwal:** Right.
- Moderator:** Thank you very much. Ladies and gentlemen this was the last question for the day. On behalf of Perfect Relations Private Limited that concludes the conference call. Thank you for joining us and you may now disconnect your lines.