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30th July, 2022

The Listing Department
National Stock Exchange of India Ltd.
Exchange Plaza
Plot No.C/1, G. Block
Bandra-Kurla Complex
Bandra (E)
Mumbai-400051
Stock Symbol & Series : IMFA, EQ

The Deputy General Manager
(Corporate Services)
BSE Limited
Floor 25, P.J. Towers
Dalal Street , Fort
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 27th July, 2022, on the Unaudited Standalone and Consolidated Financial Results of the Company for the quarter ended 30th June, 2022 is attached herewith.

We hereby confirm that no unpublished price sensitive information was shared/ discussed in the meeting / call.

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

<http://www.imfa.in/investor-information/con-call.htm>

You are requested to take the same on record.

Thanking you

Yours faithfully
For INDIAN METALS & FERRO ALLOYS LTD


(PREM KHANDELWAL)
CFO & COMPANY SECRETARY

Encl : As above.



“Indian Metals & Ferro Alloys Limited's Q1 FY'23 Earnings
Conference Call”

July 27, 2022



MANAGEMENT: MR. PREM KHANDELWAL – CHIEF FINANCIAL OFFICER & COMPANY SECRETARY, INDIAN METALS & FERRO ALLOYS LIMITED
MR. BIJAYANANDA MOHAPATRA – CHIEF OPERATING OFFICER, INDIAN METALS & FERRO ALLOYS LIMITED
MR. DEEPAK MOHANTY – HEAD, FERRO ALLOYS BUSINESS UNIT, INDIAN METALS & FERRO ALLOYS LIMITED
MR. BINOY AGARWALLA – HEAD, POWER BUSINESS UNIT, INDIAN METALS & FERRO ALLOYS LIMITED



Indian Metals & Ferro Alloys Limited
July 27, 2022

**MR. SANDEEP B NARADE – HEAD, MINES BUSINESS
UNIT, INDIAN METALS & FERRO ALLOYS LIMITED**



Moderator: Good morning, ladies, and gentlemen. Welcome to the Q1 FY'23 Analyst Conference Call of Indian Metals & Ferro Alloys 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 '*' then '0' on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Ms. Sneha Joshi from Perfect Relations Private Limited. Thank you. And over to you, ma'am.

Sneha Joshi: Good morning, everyone and thank you for joining us on Indian Metals & Ferro Alloys Limited Q1 FY'23 Earnings Conference Call. Today, we have with us senior management, represented by Mr. Prem Khandelwal -- CFO & Company Secretary; Mr. Bijayananda Mohapatra -- COO; Mr. Deepak Mohanty -- Head of Ferro Alloys Business Unit; Mr. Binoy Agarwalla -- Head of Power Business Unit; Mr. Sandeep B Narade -- Head of Mines Business Unit.

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

Prem Khandelwal: Thank you, Sneha. Good morning to everybody. The financial results are already in the public domain. So, I'll just give a brief snapshot of the financials and then we can start question-answer session.

Sales for Q1 FY'23 has gone up by 38% to Rs.732 crores compared to Rs.530 crores in the corresponding previous quarter. Similarly, net profit has gone up by 36% to Rs.134 crores compared to Rs.99 crores and EBITDA has gone up by 27% to Rs.225 crores compared to Rs.177 crores.

Production of ferro chrome for the quarter is 63,760 tons compared to 58,640 tons. Power is almost at the same level of 260 million units and chrome ore almost at the same level of 1,58,000 tons compared to 1,58,142 tons in the previous quarter.

Sales of ferro chrome is around 60,335 tons compared to 59,506 tons. Average realization is 1,21,000 compared to 89,000 in the previous quarter and ferro chrome cost has gone up to 80,000 compared to 61,000 in the previous quarter, mainly on account of power, variable cost has gone up to 594 compared to 376 and coke cost has gone up to 41,000 compared to 22,000.

With this I now request for question-answer session.

Moderator: Ladies and gentlemen, we will now begin with the question-and-answer session. The first question is from the line of Shubham Agarwal from Equitas. Please go ahead.



- Shubham Agarwal:** Sir, my first question was regarding coking coal. So, in last quarter, you mentioned that total average cost of mine was around \$480 and we had enough inventory which will suffice till September, October. So, recently in the last one month, we have observed that the prices have fallen down significantly. So, I was wondering if for Q2, we will have to take inventory write down if any and what would be the amount that we would have to hit on our P&L?
- Prem Khandelwal:** Thank you, Shubham. See, inventory write-down is not going to be there because we are following the average method of accounting. So, whatever cost we are buying coke, all are getting average down. So, there is no question of writing down inventory here.
- Shubham Agarwal:** What is our buying rate right now?
- Deepak Mohanty:** Last, we bought at 525. Going rate is in this range even though the coking coal prices have come down and particularly for us we buy from Columbia, which is a limited source, there is no ultra-low first coke.
- Shubham Agarwal:** Secondly, on the realization bit. So, again, we have observed that last one month our realization has been falling significantly. So, how do you guide for the next one or two quarters in terms of realization?
- Prem Khandelwal:** Again, Shubham, if you track, we have a lag of one quarter every time. So, although the spot has come down below \$1 now, but for us in Q2, we may not have a significant impact, because we have a lag of one quarter, so, we had finalized at a higher rate in this quarter. But Q3 remains to be seen. By that time, depending on the market scenario, we'll have to work out the realization.
- Shubham Agarwal:** So, for Q2 compared to realization of 1,21,000, what should we consider?
- Deepak Mohanty:** It will come down certainly, but maybe around 115.
- Shubham Agarwal:** And sir, secondly, in general, I wanted to understand the demand trend because everywhere we are seeing globally there is a strong headwind as far as demand is concerned. So, are we witnessing anything and what is your sense on the same topic?
- Deepak Mohanty:** Actually, we are not expecting a significant reduction. Mostly, our things are on long-term basis, whether it is monthly or quarterly basis more or less fixed tonnage. So, not much of a thing we are looking at this point of time.
- Shubham Agarwal:** Lastly, again on the cost side. So, our coal variable cost you said this quarter was 500 something compared to 376. So, have we seen any further increase in our buying cost of coal per ton?

- Binoy Agarwalla:** Shubham, in December this coal crisis started, but we thought at that point in time that it would get normalized within six months, but my apprehension is it will continue for another six months this 500 plus rate because coal rate is not coming down because we have seen in different spot e-auction the coal price is remaining stable.
- Shubham Agarwal:** So, more, or less we can say that in terms of cost of production, we have kind of reached the peak, which is around 80,000 to 83,000 per ton?
- Prem Khandelwal:** Yes.
- Shubham Agarwal:** On the refund of Utkal 'C' coal block, so I understand last quarter, you mentioned that agreement is pending and post that 90-days is the time when we'll get back the money. But in the last three months, nothing seems to have moved. So, where is the actual bottleneck currently?
- Prem Khandelwal:** No. As you understand, some request has come from the buyer for change of certain terms and conditions. That is being considered by ministry. So, once that is settled, then I think the process will start. Maybe in a month or two months' time the allotment agreement should be signed, and thereafter that clock start ticking 90 days' time thereafter.
- Moderator:** The next question is from the line of Sanjeev Kumar Damani from SKD Consulting. Please go ahead.
- Sanjeev K Damani:** Actually, one thing I wanted to know was that how much ferro alloy whole business we have got to continue with the same capacity when I get some number of years how much we can use these deposit for how many years?
- Prem Khandelwal:** Sorry, Sanjeev. I am not able to understand your query. You are talking about chrome ore reserve or what? We use chrome ore.
- Sanjeev K Damani:** Chrome ore reserve how many years will last with our project deposit?
- Prem Khandelwal:** I think it will last till we have our mines. Our mines is valid up to 2049 and 2055. So, it should last till then.
- Sanjeev K Damani:** Do you know cost of our production is at par with the world cost of production of these items or we are slightly higher or lower than the world?
- Prem Khandelwal:** You mean ferro chrome cost?
- Sanjeev K Damani:** Final product cost that we sell.



Prem Khandelwal: Yes, as far as ferro chrome is concerned, we are one of the top five least cost producer in the world.

Sanjeev K Damani: Are we taking some levers to bring down the cost of production to the international level?

Prem Khandelwal: We are already almost at par with the international level and in some cases even lower than that and wherever possible, we try to reduce it further.

Sanjeev K Damani: I understood this that we are not in the first five lowest cost producer of the world. This is what did I listen or I wrongly listen to it?

Prem Khandelwal: No, no, I said, we are one of the top five least cost producer in the world.

Sanjeev K Damani: So, we are very competitive as one supplier?

Prem Khandelwal: Yes.

Sanjeev K Damani: Can you give some figure as to how much is our market share of exporting to the world amongst the exporting countries?

Deepak Mohanty: Ferro chrome worldwide is produced around 15 million. And we produce only 250,000. So, it's not a very big quantity, but our total production is more than 90%. We do mostly exports more than 2 lakh. That's why it's not a very significant, but it is significant in consideration to at least where we are more viable than South Africa and the others.

Sanjeev K Damani: Sir, up to this 15 million tons that we said may be the overall production of the world, right?

Deepak Mohanty: 15 million of ferro chrome and stainless steel is around 58 million in the last calendar year.

Sanjeev K Damani: So, this is the total production you are saying and not the export of the world?

Deepak Mohanty: You see, the majority out of the stainless-steel production more than 30 million is from China where they do not have chrome ore and South Africa having the highest chrome ore, they don't produce stainless steel. So, it's majority.

Sanjeev K Damani: Okay, so they are the major exporter. Sir, now I got my summary that our main competition is with South Africa only?

Deepak Mohanty: It's not like that. They're not comparable, their quality of material, which is voluminous, but is different. We produce 60%, they produce 50%, chromium-based ferro chrome, on which we are different.

Sanjeev K Damani: So, our quality is better than that, can we say this way?

- Prem Khandelwal:** Yes, to some extent.
- Sanjeev K Damani:** I heard a few figures from the conversation on the last question that our coking coal prices are really very high. What about our Indian coal prices these days?
- Deepak Mohanty:** You are talking about in the sense thermal coal or the coking coal?
- Sanjeev K Damani:** Coking coal is directly used for producing ferro chrome, but for producing power we will not be using our Indian coal, sir, am I right?
- Deepak Mohanty:** Coking coal is not used directly in ferro chrome. It's used in the form of coke only and India do not have low-cost coking coal. That's why this is the only item we depend on imports.
- Sanjeev K Damani:** For producing power we use local coal, am I right?
- Prem Khandelwal:** Yes, yes, yes, absolutely.
- Sanjeev K Damani:** Finally, one figure as to how much claim we have made on government for calculation of our earlier coal mine, means rupee terms can I get some figure?
- Prem Khandelwal:** Yes, it's around 370 crores.
- Sanjeev K Damani:** It is very long pending claim, so, we will be claiming some interest also on it?
- Prem Khandelwal:** No, interest on the land portion, government has to pay interest at the rate of 12%, that is in the statute itself.
- Sanjeev K Damani:** Will it to lead part of that coal mine or it is independent of it? I mean, once it is auctioned and somebody pays and uses it, then only we get money. Is it condition like that or only court order can get us this money?
- Prem Khandelwal:** No, no, the fresh allottee has to pay to government and government in turn will pay to us.
- Moderator:** The next question is from the line of Saket Kapoor from Kapoor & Co. Please go ahead.
- Saket Kapoor:** Sir, if you could explain to us this line item of finance costs wherein there is loss on foreign currency transaction appeared twice. Once it is Rs.15.81 crores and again item #F also it is Rs.10.57 crores. So, if you could explain the nature over there?
- Prem Khandelwal:** There are two components, Saket, here. One is the pure finance cost and other is the exchange fluctuation. So, exchange fluctuation is your normal amount because we are availing working capital in foreign currency. So, we need to restate the working capital outstanding at the end of

the quarter in dollar terms. So, that's why we are showing that the actual finance cost is the interest cost and the fluctuation part is almost notional.

Saket Kapoor: So, if I take the absolute number, the actual cost is then only Rs.5 crores?

Prem Khandelwal: Yes.

Saket Kapoor: And other foreign currency transactions of Rs.26 crores or Rs.27 crores is only the restatement of this?

Prem Khandelwal: Yes, yes.

Saket Kapoor: So, depending upon how the currency moves, sir, it is all dollar-denominated or euro?

Prem Khandelwal: Dollar-denominated because our entire working capital is in foreign currency and other receivables also are in foreign currency. Whatever is income and expenditure in foreign currency, all have to be translated to that quarter-end dollar rate. That's why fluctuation, MTM, these things are coming here which are not actual which are notional. But we have to follow accounting standard, we have to do this.

Saket Kapoor: Otherwise, the profit would have been definitely higher reverse on that amount?

Prem Khandelwal: Yes.

Saket Kapoor: There is no impact on revenue as such on this amount? This is the closing balance of working capital due that is getting translated?

Prem Khandelwal: Correct.

Saket Kapoor: Sir, as per the previous participant from Equitas and also from your commentary for Q2 the realizations and the costs are going to be in line with what Q1 has been? If you could explain to us what percentage of our sales for Q1 were spot-driven and if you could give some understanding how the spot realizations have been and for Q2 what they are flaring up currently?

Deepak Mohanty: No, actually we don't have really spot tonnage, mostly we give it on annual contract basis or long-term contract with this. So, very, very minimal. It's mostly the same customer with an annual thing and which price negotiation are in different places like that it happens. So, last quarter and this quarter, the prices as already mentioned, prices will come down to some extent because you know the benchmark has come down by 33% and even the other Chinese benchmark prices have come down. So, in line with that it will be, but costs are more or less in the same line as in the Q1.

- Saket Kapoor:** So, taking your understanding or your statement into account. if the same price is sustained, then Q3 we are seeing a decline in our revenue and profitability since the cost of production is going to remain static?
- Prem Khandelwal:** No, Saket, that is very difficult to predict anything at the moment, you see, we cannot predict anything, because the market is so volatile and so many factors are impacting, so many things are happening in the world today, so very difficult to estimate or give any prediction for Q3. Because we have tied up some tonnage, for Q2, we can give some prediction but Q3 is very difficult.
- Saket Kapoor:** Sir, currently this spot is trading at 1,02,000 range?
- Deepak Mohanty:** No, I believe presently it is more than Rs.1 lakh in the domestic market, in fact, very little transactions are happening. So, it's not a reflective thing, but more or less in the range of Rs.1 lakh at this junction in domestic market.
- Saket Kapoor:** Deepak sir, how are the volumes likely to shape up for Q2, it's similar to what Q1 or will we be having -?
- Deepak Mohanty:** We have flagged around 60,000 normally what we do in that line mostly.
- Saket Kapoor:** It will be in the same 60,000?
- Prem Khandelwal:** We are already at 60,000, Saket, so that is going to remain more or less same.
- Saket Kapoor:** Sir, coming to expansion part of the story. I think we have outlined Rs.1,000 crores expansion, running down for five years and also the land allocation I think to have happened from the state has been articulated yesterday in the AGM also and in the annual report. So, what should we anticipate for FY'24, '25 now?
- Prem Khandelwal:** No, as we have told earlier also, the new furnace is going to come into commercial production maybe by end of FY'25 or early '26. So, most of the investments will come maybe around FY'24 and '25.
- Saket Kapoor:** And the type of CAPEX we have to do for improving the ore output, the underground, I think so we are totally into the underground mining partners for our -?
- Prem Khandelwal:** Not at the moment and totally underground will take some time, maybe around five to six years we are still... Sandeep, can you give details about this?
- Sandeep B. Narade:** Right now we are operating on a down mine and one open cast. So, we'll be producing both the mines for the next about six years, we'll be having open cast also. And after that this Sukinda mine will convert into one underground mine. So, we are working on that and already we have

given the study to one party and they will submit us the report and we'll start opening that underground mine maybe in the next year.

Saket Kapoor: Next year itself?

Sandeep B. Narade: Yes, yes. So, it will start only, not produce, it will start.

Saket Kapoor: What is the likely CAPEX we spent on going through this underground mine route and the likely CAPEX that that we need to incur over a period of time to get the optimum output?

Prem Khandelwal: So, we are planning for our next six to seven years about a Rs.1,000 crores.

Saket Kapoor: Rs.1,000 crores will be spent on underground mine?

Deepak Mohanty: Yes, over a period of seven years.

Saket Kapoor: What would be the cost advantage, how is the payback going to be or is it our compulsion to go for underground mining once our reserve gets closed with open cast?

Prem Khandelwal: If it is underground how would we get further ore.

Saket Kapoor: There will be no advantage of payback in this? Will it reduced our cost of production or is it statutory and we have to do it to extract the ore?

Prem Khandelwal: We have to it, there is no other way out otherwise we have to stop the production of ferrochrome.

Saket Kapoor: It will not affect the cost of production?

Prem Khandelwal: It will certainly affect the cost of production. Sandeep, I think the cost of production will go up if we go underground?

Sandeep B. Narade: Yes, yes. If we see in open cast actually it is comparatively low-cost production from open cast, whereas underground is the high-cost production.

Saket Kapoor: So, it gets commensurate more so if we not sustain higher prices then there will be more pressure on martins going forward because we have to go underground. If there will not that much traction in selling then this will compress our margin. This is a good understanding?

Prem Khandelwal: Yes.

Saket Kapoor: How is the benchmark? I think 30 cents or something sir has mentioned. So, how is the correlation for the benchmarking and how does it play out in our numbers on the selling prices?

Deepak Mohanty: Actually, the European benchmark, this is discussed between the major South African ferro chrome producers; Glencore and the major stainless steel mainly in Europe and their circular number and the market operate based on the increase and decrease to the previous one. Based on that, there is certain possibility it is not just the exact increase happens every time either sometimes if the increase actual price you get over the last price, may be more than the increase or decrease depending upon the situation. Thereafter, it's the negotiation. Benchmark price is mainly set to show the base number over which a discount is applied. That's how it gets operated.

Saket Kapoor: And the discount is relevant on the demand/supply situation in the market or what factors will determine the discount percentage?

Deepak Mohanty: If it is a negotiated one, it is demand/supply. In certain cases people work for a year with a certain percentage. So, there are various ways it is dealt based on the benchmark. But it mostly takes care of the increase or decrease from the last price you have.

Saket Kapoor: Sir, as I am a layman, discount is in benchmark, what does this translate to the prices currently, if this discount is going to prevail for a considerable period of time, what would be the fixed contract price going forward?

Deepak Mohanty: Normally it's very different for different countries and different players and you can say it can vary between 20% to 30% depending upon your spending, your quality of material and there is further aspect. It's not that almost it is 30%, sometimes it goes to 35% depending upon market scenario, but roughly I told it is in the range of 20% to 30%.

Moderator: The next question is from the line of Joe Shah from Seven Seas. Please go ahead.

Joe Shah: Now, you mentioned that the realization during Q2 is expected to come down to Rs.1,15,000. Yesterday, M.D. mentioned that there will not be impact on the profit because the cost has also gone down. So, earlier in Q1 you mentioned cost was at Rs.81,000. So, in Q2 can we expect cost at Rs.75,000 something like that?

Prem Khandelwal: Difficult to predict at the moment, Mr. Shah. We will come to know after end of the quarter only. What kind of mix we are going to use; of coke and what mix of coal we are going to use depends on that.

Joe Shah: The M.D. mentioned that profitability will remain more or less similar. That's why I am wondering in Q1 or Q2 there is a change in profitability.

- Prem Khandelwal:** May not be much impact on the profitability, but very difficult to give any estimate at the moment. But what we expect that there may not be much impact on the profit or at all there will be a little impact on the profit.
- Joe Shah:** Regarding Utkal, we are discussing a lease agreement between the government of India and this new allottee, Jindal with 8284 that formula. You also approached Delhi high court for this determination of the compensation and I understand that Delhi high court date is now first week of 2023. Will it impact our compensation because it is a high court matter, it gets delayed and delayed, so will it impact our suppose the agreement is signed between MoC as well as Jindal, then it will follow this 8284 or again we will have to wait for Delhi high court order?
- Prem Khandelwal:** Delhi high court order becoming infructuous if the agreement is signed. What we are paying is for early determination of compensation and payment. Once the agreement is signed, then within 90 days government has to pay to us. Then that case becoming infructuous once agreement is signed.
- Joe Shah:** This Kalinganagar land, you already paid the full amount of Rs.30 crores. So, when we expect the land allotment to us?
- Prem Khandelwal:** Land allotment is already done. Now, deed has to be signed and that process is going on in maybe two to three months' time that will be over.
- Joe Shah:** We will get possession of the land?
- Bijayananda Mohapatra:** They have gone for this demarcation of the land and it has to be signed by the government authority as well as the IDCO who is the land provider. So, if that has been done, then they will go for this lease agreement between **(Inaudible) 33:45** and IDCO. So, once that is done, then we can start the construction of boundary wall and our ECL shall start.
- Joe Shah:** About six months' time from now?
- Bijayananda Mohapatra:** No-no, the ECL will take around one year.
- Moderator:** We'll move on to the next question that is from the line of Anurag Patil from Roha Asset Managers. Please go ahead.
- Anurag Patil:** What will be our average cost for thermal coal in Q1 and what is the possible cost in the Q2, any rough estimate?
- Binoy Agarwalla:** In Q1 actually coal cost was Rs.62. It was just because of we got hold by road only and we participated in spot e-auction and spot e-auction cost was very high because we didn't get our monthly settle quantity from MCL and we didn't get rake also from MCL because rakes are getting diverted to IPP. And in Q2 also will be in the same range around 470 or 475.

- Anurag Patil:** So, far how much coking coal is required per ton production of ferro chrome in volume terms?
- Prem Khandelwal:** We don't need cooking coal. We need coke around 0.5 tons of coke for 1 ton of ferro chrome.
- Anurag Patil:** Sir, this Rs.1,000 crores CAPEX you are going over the next few years, how much will be the capacity addition?
- Prem Khandelwal:** This will increase our mining capacity. Sandeep, can you give the figures what we are planning?
- Sandeep B. Narade::** With this CAPEX, right now we are producing about 3 lakh tons from Sukinda mine and it will add another 3 lakh tons initially, then we can further plan for another 3 lakh tons, it can go up from 0.3 million to 0.9 million.
- Anurag Patil:** Any CAPEX we are planning for ferro chrome capacity?
- Prem Khandelwal:** We have already given that number. One furnace we are going to add which will come into production by end of FY'25 or FY'26 early. CAPEX for that is around Rs.550 crores.
- Moderator:** The next question is from the line of Vijay Sarda from VL Finance. Please go ahead.
- Vijay Sarda:** Just two questions. One, how is the demand/supply scenario currently in the ferro chrome market? And as you said earlier, we are among the lowest producer in the ferro chrome. So, if our costs are 80,000 being a own mine, the people who are 90% and they don't have mine as you rightly said in China most of the chrome ore is getting imported, so how is the selling price so low in the ferro chrome market? I don't understand that. Since we have an advantage and we are not the neighbors-related, currently this quarter was good but going forward as you said the current price is one lakh. So, how these prices have been decided and who dictate the prices because since 80% of industry don't own the mine, the cost of production for themselves will be around one lakh or so. So, how they will be able to cope with or the other players in the industry making losses?
- Deepak Mohanty:** Let me go in a little different way to explain. You know the stainless-steel production for the Q1 of this calendar year has gone down by 3.8%, 14.5 million and similarly in China it has gone down by 8%. That's mainly because of the pandemic situation and zero COVID restrictions and all for that it has gone down okay. So, that is one factor. And in this quarter also, it will be lower and although initially there was a prediction of 4% growth for the stainless steel, now it is in doubt because of this pandemic not only in China, in all parts of the world, it is again resurgence has happened somewhere, although the extent is not very big, that is happening, one. And the other thing which has led to all this scenario is Russia-Ukraine war. European countries depend mostly for the coal from Russia which has been affected and now they are going through the summer, but post-September when it will be winter, unless that war gets withheld or something, some ways to get the coal, so situation will be very different. So,

with all those things, there is a reduction in stainless steel requirement and in China because of all these issues, COVID and other things, A-listed problem lot of defaults by the people and the contractors for which China has come up with \$200 billion stimulus package, but it will take some time and all. When the demand is low, buyers are less because many people like us on long-term basis supply where they cannot do anything. So, spot prices are going down very drastically because there are very limited buyers. So, everyone wants to grab that. That is the reason why it has come down. But actually, this is not a sustainable price with the high logistic cost and you know the barrel price is still around \$1 it is hovering, although it went to 125, that's the price. And the logistics things have not yet come up because of all this downtrend and all, there is little bit of ease in the container size but still container and all freight prices are higher and coal crisis in all the countries, so that is affecting the power prices going up, with all these things, prices cannot go down. But because of the limited requirements, prices are going down which is going to stabilize in this quarter probably. So, according to me the prices will remain around \$1 dollar all over is expected at least for this quarter and next quarter.

Vijay Sarda:

What price will be maintained?

Prem Khandelwal:

Around \$1.

Deepak Mohanty:

It is Sustainable for a cost-competitive producer like mostly for us and others will bring down a lot of capacity, that is going down not producing. So, demand/supply –

Vijay Sarda:

The capacity will also shut na, because if this is a situation because we are still very much comfortable using the domestic coal whereas all the European plants who are operating on gas and coal, they are facing major problem in terms of the cost of power also. So, effectively if I just understand chrome ore prices have not decreased to the extent that is required and it has totally been imported from Africa. Secondly, your coke prices have increased and third, your power cost have increased. So, we have benefit on two of this. Chrome ore is is our own, so we have an advantage there, and secondly, we have our own basically at least 70%, 80% linkage coal do we get. Maybe one quarter you may not get the quantity required, but still we will be getting 75% to 80% of our quantity of the coal at the nominal prices as the Indian prices of coal have not increased. So, cost of our power may not have increased substantially. I am just putting this in context to the global players -

Prem Khandelwal:

Mr. Sarda, that's why Deepak is saying that the price may not go too much beyond \$1 because the cost pressure is there.

Deepak Mohanty:

I want to add one more aspect. The Chinese RMB has depreciated by 6.7% and South African Rand around 9.3%. So, once these two major currencies which have the need for ferro chrome and the South African base, the prices have to go down and even our Indian rupee, all currencies have depreciated, from depreciated thing you are able to meet. So, that is one other

aspect which all those things with \$1 around it will be much proper scenario which is sustainable.

Moderator: The next question is from the line of Yash, an individual investor. Please go ahead.

Yash: Accounting-related question. One, I had on power cost but that you have explained very beautifully. Second is I can see a lot of inventory buildup. So, can you please send a picture of how much inventory like what was our FG inventory in Q1 and how do we plan to liquidate it in Q2 given that most of our sales are in long-term contract?

Prem Khandelwal: Built up you mean of ferro chrome or –

Yash: I'm assuming it is ferro chrome, sir. There is a change in this line and delta between production and sales both are on ferro chrome only.

Deepak Mohanty: Actually, the inventory is going little higher compared to the previous quarter. That's because we have 2,500 tons shipment which was supposed to be done on the end of June. That vessel got delayed. So, it was done in this quarter, that is why. Otherwise, it is at the 1Q level considering our level of export.

Prem Khandelwal: I hope that is clear, Yash.

Yash: Yes. So, closing inventory you are saying we have next to zero or less than 1,000- or 2,000-tons tons I can assume?

Deepak Mohanty: We have to maintain certain plant stock for doing shipment and some based on shipment which we do to Korea, so that on the voyage. So, taking all those into consideration, in fact, we are running hand to mouth from our production for meeting the shipment.

Yash: Can you please paint a picture on our coke inventory and coke cost per ton for Q1 and expected coke cost for Q2?

Deepak Mohanty: We have around coke inventory till end of November and the average blended cost was maybe little more than \$500 in the last quarter and in this quarter also, it will be in that range.

Yash: One last question on the market side. Since we have seen a phenomenal jump in NSR in Q1 over last Q4, but now that the markets are back to 1,300 level and we negotiate our contracts every quarterly pricing for that, in one of the last calls you had told that to me only. So, how are we looking at the renegotiation part, have we renegotiated the contracts already and if so what is the fall in NSR we are anticipating in Q2?

- Prem Khandelwal:** That we have already answered. We don't expect too much fall in the net realization price this quarter, maybe a little bit lower, but not much, because of this lag in negotiation, so one quarter overlap is always there.
- Yash:** You have told the thermal coal. We are expecting at the same prices of 4.7 per GCV compared to 4.6 per GCV. So, we can expect power cost per unit to be Rs.6.10 kind of what we had here also in this quarter?
- Prem Khandelwal:** It is more or less likely to remain same.
- Moderator:** The next question is from the line of Ashish Koti, an individual investor. Please go ahead.
- Ashish Koti:** The question is basically what kind of ratios we have in terms of raw material inventory, work-in process and finished products? Second question is how much of our total sales is long-term and how much is export and within that long term it is three months, six months or one year?
- Deepak Mohanty:** Actually, almost 90% is our export and most of them are on annual or long-term contract. Very limited tonnages on spot, this is for domestic, although this domestic are also on month-to-month basis but as we don't have annual contract or long-term contract, we say that is spot. Similarly, for exports, there is really very little quantity, it maybe 5% at times and sometimes it is still low. So, mostly it is annual or long-term.
- Ashish Koti:** In that case, do we have a price increase close or no?
- Deepak Mohanty:** Many of them are on negotiation. It's not just formalized yet.
- Ashish Koti:** So, at times the price revision might take place, at times may not?
- Deepak Mohanty:** No-no, with certain parties wherever we negotiate on monthly basis or quarterly basis, that goes on, but it depends on not only on the spot, many other aspects. So, based on that we decide and in some few cases also we have also some formula basically and formula is also based on certain benchmark kind of thing.
- Prem Khandelwal:** Can you repeat your first question?
- Ashish Koti:** How much of raw material inventory we maintain, how much normally we have in work-in process and how much we have in finished products?
- Prem Khandelwal:** The work-in progress is very little, next to zero. Mostly in raw material and finished product also is very low, maybe around one month's production we keep for our Posco tunnels and raw material is around two months' time. So, total raw material and finished product you can take around three months' time.

- Ashish Koti:** Basically to understand how the price volatility can impact and the raw material as well as the work-in process and finished product. That was the reason for understanding.
- Prem Khandelwal:** As far as raw material is concerned, the major raw material which is chrome ore is under our control and power also almost 60%, 70%, we are using washery reject, which is also under our control. So, 30% of e-auction coal, the price may go up a little bit. And as far as coke is concerned, again we are depending on the foreign market. So, I can say 50%, 60% raw material cost is under our control and balance we are open to market vagaries.
- Moderator:** The next question is from the line of Anand Patel from Arman Investments. Please go ahead.
- Anand Patel:** Sir, my question is now we are a cash rich company. So, have we any formed any dividend payout policy?
- Prem Khandelwal:** Our dividend pair policy is already there, Anand. You can go through our website; the policy is there.
- Moderator:** The next question is from the line of Shubham Agarwal from Equitas. Please go ahead.
- Shubham Agarwal:** Sir just one minor question regarding the coke inventory. So, you said it is still November but in tonnage, can you give me how much is the tons that we have right now?
- Deepak Mohanty:** It will be around 30,000 to 40,000. Not having the exact figure. But out of that also, something is in shipment which will arrive. We have stock at plant, we have stock at port which would flow in and in transit also.
- Shubham Agarwal:** When you say till November, it is including transit, am I right?
- Deepak Mohanty:** Yes, absolutely, whatever we have already procured and on voyage already with the arrival in due course and can be consumed within November.
- Moderator:** The next question is from the line of Sanjeev Kumar Damani from SKD Consulting. Please go ahead.
- Sanjeev K Damani:** Do we export on free on-board basis or CIF basis?
- Deepak Mohanty:** We do CIF basis, we do on DAP basis, both.
- Sanjeev K Damani:** If we can shift our trade to pre-owned board, then shipping costs, etc., is not on our headache you know, can we not do that?
- Deepak Mohanty:** But we are working on basically long-term contract and in fact we can arrange a better freight than others.



Sanjeev K Damani: I appreciate sir but this has happened in past that suddenly the shipping prices have gone up. We had one very bad experience last year I think or in the beginning of this year that lot of prices of shipping and container price, etc., have gone up. So, that would affect our profitability sir in future if suppose anything untoward happens that way?

Deepak Mohanty: Fortunately, we have many freight forwarders and all and we work with them for at least 15 years, 20 years and predictable. Naturally, the freight rate needs to be in line with the market scenario. The Baltic index is still going high. So, accordingly. And we do work out that way but we never face problem even during the time when containers were not available to many people, we are getting in time shipment. that is the reason why the customers deposite faith in us.

Sanjeev K Damani: How is the production of this ferro chrome from India, in the sense are we the only producer or there are many in the country, can I know some of your competitors name if at all they are?

Prem Khandelwal: There are limited producers at the moment. We are producing and apart from us ferro chrome is being produced by Jindal for their own consumption and Tata they have limited capacity but they do a lot of tolling, means conversion in places, because they have limited capacity and they have taken a lot of mines during the last year. There are also some small few players with very small quantity, two, three, but major is Tata, Jindal and Balasore Alloys, they have also stopped now, Tata, Jindal and ourselves mostly, the major total move for the production is ourselves.

Sanjeev K Damani: Regarding electricity, are we consuming lot of electricity? If at all, yes, then have we thought of going into solar plants to save cost, etc.,

Bijayananda Mohapatra: Our own capacity of power is 4.55 MW solar. Solar also, we have to go for this statutorily REC. But solar is a only day time, approximately 10 hours it will give power. So, we are also looking for hydel and wind power, some captive.

Sanjeev K Damani: Can we say we have power-intensive unit? We have to consume a lot of power. Can I also know what is the per ton consumption of power for producing final product?

Deepak Mohanty: Approximately, 4,000 units per ton for production.

Sanjeev K Damani: So, then are we termed as very power-intensive?

Bijayananda Mohapatra: Yes, this is a power-intensive manufacturing.

Sanjeev K Damani: Because if the coal prices further go up, we are affected. So, if we can reduce this price to wind and hydel, are there some concrete plans for it or we are only exploring?



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Bijayananda Mohapatra: We have actually 200 MW of thermal power capacity and that will cater to all power even in our upcoming. During the schedule maintenance, that time we buy power from a grid with a discussion. So, there is no intent to go for any addition of thermal power.

Moderator: Ladies and gentlemen, the other questions can be taken up individually by the management. We thank the management for this call. With that, we conclude this conference call. On behalf of Indian Metals & Ferro Alloys that concludes this call. We thank you for joining us and you may now disconnect your lines.



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Conference Name: Q1 FY23 Analyst Conference Call - Indian Metals & Ferro Alloys Limited.

Time: July 27, 2022 11:00 Hrs India Time

Miss .Sneha Joshi -Associate Director,Perfect Relations Pvt. Ltd.

Main Speaker(s):

Management Of Indian Metals & Ferro Alloys Limited.
Mr.Prem Khandelwal-CFO & Company Secretary
Mr.Bijayananda Mohapatra-COO
Mr.Deepak Mohanty-Head - Ferro Alloys Business Unit
Mr.Binoy Agarwalla-Head - Power Business Unit
Mr.Sandeep B Narade-Head – Mines Business Unit
Mr.Ashok Kumar Nayak-Sr.GM (Finance)
Mr.Bijaya Kumar Jena-DGM (Accounts)

Total 62 Participants including the Speakers.

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