



“Sarda Energy & Minerals Limited Q4 & FY'25 Earnings Conference Call”

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Moderator: Ladies and gentlemen, good day and welcome to the Q4 and FY'25 Earnings Conference Call for Sarda Energy & Minerals Limited.

As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing '*' then '0' on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Ankit from Stellar Investor Relations. Thank you and over to you, sir.

Ankit: Thank you, Avirath. Good evening, everyone, and thank you for joining us today. To discuss Q4 and FY'25 Business Performance, we have with us the Senior Management Team of Sarda Energy and Minerals, represented by Mr. Pankaj Sarda – Managing Director, and Mr. Nilay Joshi – Executive Director.

Before we proceed with this call, I would like to mention that some of the statements made in today's call may be forward-looking in nature and may involve risk and uncertainties. The Company also undertakes no obligation to update any forward-looking statements to reflect developments that occur after the statement is made. Documents relating to the Company's financial performance, including Investor Presentation, have been uploaded on the stock exchange and Company website.

I now hand over the conference to Mr. Pankaj Sarda, and then we will open the floor for Q&A. Thank you, and over to you, sir.

Pankaj Sarda: Thank you. Good afternoon, ladies and gentlemen. Welcome to Sarda Energy's Q4 FY'25 earnings call.

Macroeconomic Overview:

The reciprocal tariff imposed by the USA has disrupted global trade and fostered a shift towards protectionism. While the full impact is yet to be realized, India remains relatively well positioned due to strong domestic demand, a growing manufacturing base and the increasing focus of developed economies on diversifying supply chains. However, the dumping of goods from countries with which we have free trade agreements continue to pose challenges. The government remains vigilant and responsive with policy actions. The safeguard duty imposed on certain steel products in April has effectively curtailed cheap imports.

India's fiscal deficit is projected to decline to 4.4% in FY'26, down from an estimated 4.8% in FY'25. The RBI has infused liquidity into the banking system to ease interest rates, recently reducing the repo rate by another 0.25%. Inflation data suggests a continued easing trend. Banks

have reduced deposit rates and loan interest rates are expected to follow, which should bolster consumption and capital expenditure.

Operational Performance:

FY'25 was the landmark year in our growth journey marked by the successful acquisition and integration of SKS Power Generation Chhattisgarh Limited. We achieved record high production across coal, iron ore pellets, captive power at Raipur and thermal power from the newly acquired IPP. Hydropower generation grew by 5% Y-o-Y, supported by a strong monsoon.

The IPP thermal power plant delivered significantly improved performance, achieving a plant load factor, PLF of 80.42% in Q4, despite a fire incident that shut down one unit for 27 days, and 73.32% for the full year, up from 56% in FY'24. Continuing operational efficiency measures played a key role in this improvement. Temporary shutdowns at our steel plant and one ferro alloy furnace for modifications led to a dip in production of metal products for the quarter.

A multi-pronged strategy to reduce carbon footprints includes the adoption of solar power, the replacement of diesel vehicles with electric ones and the successful registration of our waste heat recovery project with IRAC for carbon credits.

Expansion and Project Updates:

Coal Mines:

Gare Palma IV/7 - Final approval for increasing mining capacity from 1.68 million tons to 1.8 million tons is expected in this quarter.

Gare Palma IV/5 - Revised block boundaries require fresh approvals. We have been granted 57 months to commence production.

Shahpur West Coal Mine - Mine opening permission was received on 10th March, 2025. Mine development work has commenced and production is expected before the end of the next Financial Year.

Bartunga Hill, JV Coal Mine - DPR and mining plans have been submitted to SECL and are under review. Forest land diversion approval is underway.

Power Plants:

Rehar Hydropower Project (25 MW) - The trial run of the plant is complete. Commercial operations will commence when water flow improves. The PPA is expected to be finalized this quarter.

Kotaiveera Hydropower Project, 25 MW - The project is in the approval stage with work expected to begin by mid FY'26. Two additional small hydro power projects are in varying stages of approval.

Captive Solar Plant (50 MW)- Execution is delayed due to the issues at the end of the EPC contractor that is Gensol. Most equipments have been delivered and transmission line work is going on. Project commissioning is expected in current Financial Year.

30 MW TG set replacement - Work is on schedule with operations expected to begin by mid FY'27.

Mineral wool project - Operations commenced on 28th March 2025. Market response to the product has been positive.

I would now hand over to Mr. Nilay Joshi to discuss financial performance.

Nilay Joshi:

Thank you, Pankaj ji.

In Q4 FY'25, the Company achieved consolidated revenue of Rs. 1,239 crore, registering a growth of 39% YoY. However, revenue declined quarter-on-quarter by 6% due to the seasonal effect in the hydropower business, lower power sale realization and shut down of the steel and ferro alloys plant for modifications. Revenue grew 20% YoY.

Profitability:

Despite challenges in the steel and ferroalloys segment due to a downturn in prices, operating EBITDA for the quarter increased YoY from Rs. 162 crores to Rs. 273 crores and consolidated profit after tax grew 14% YoY to Rs. 100 crores. Operating EBITDA for the full year grew 56% to Rs. 1,247 crores and PAT grew 34% to Rs. 702 crores. One noteworthy observation is that the energy vertical between hydropower and thermal power, has already contributed almost 50% of EBIT, earnings before interest and tax in FY'25 and this contribution is expected to increase further in FY'26 with the full year of operation of the 600 megawatt thermal power plant and the improving PLF.

Debt and Liquidity:

Net consolidated debt including working capital loans stood below Rs. 1,600 crores. Long-term loans repayable within the next year amount to Rs. 235 crores. Liquidity remains strong on the balance sheet with cash and liquid investments exceeding Rs. 1,250 crores which is in addition to loans given as part of treasury investments.

I now hand over back to Mr. Pankaj Sarda to discuss the steel and ferroalloy industry overview and outlook. Over to Pankaj ji.

Pankaj Sarda:

Thank you, Nilay ji.

Industry Overview:

In FY'25, global steel production declined by over 3% to 1839 million ton with China down by 0.6%. India bucked the trend with a 5.6% increase producing 152 million ton. Domestic finished steel demand also grew by 12%. Despite strong demand, steel prices declined due to increased imports and reduced exports. Net steel imports rose to 4.2 million tons, up from 1.1 million tons in FY'24. Domestic crude steel production in Q4 FY'25 was 40.1 million tons, up 7% YoY and 4% QoQ. Finished steel consumption rose by 3% QoQ to 40.3 million tons.

China's steel exports remained high despite reduced production driven by weaker domestic demand. Q4 FY'25 exports increased by 6.3% to 27.429 million tons. Many countries have introduced safeguard measures against cheaper Chinese steel imports.

Indian coal production crossed 1 billion tons in FY'25, growing by 5%. Coal imports fell by 9%, saving US \$6.93 billion in Forex. The Indian coal index declined by 14.56% and coking coal prices also softened, partly offsetting margin compression. The central government has introduced incentives for underground mining, including upfront fee waivers, reduced performance guarantees and lower minimum bid prices.

Ferroalloys exports dropped to 1,06,000 metric tons from 1,15,000 metric tons due to lower production. Exchange power prices fell by 70% in FY'25 to Rs. 4.31 from Rs. 5.17 in FY'24 and declined by 10% YoY in Q4.

Outlook:

RBI's liquidity measures and government spending are expected to support economic growth and credit expansion. China's recent cut in the reserve requirement ratio has released US \$138.6 billion into global markets. Safeguard measures taken by India should improve margins in the domestic steel industry. India continues to be the fastest growing major economy driven by robust domestic demand and demographics. A reversal in the interest rate cycle will enhance competitiveness and spur capital investments, boosting demand for steel and other metals.

Full year of operations for the 600-megawatt thermal power plant, improved PLF, better realization in the IPP business and lower finance costs are expected to further strengthen profitability.

That concludes our performance and outlook. Thank you.

Moderator: Thank you very much. We will now begin with the question and answer session. First question is from the line of Marshall, an individual investor. Please go ahead.

Marshall: My one suggestion is there because now we have got the thermal power plant of 600 MW and our existing hydro are very small capacity like 113 MW in Sikkim and another 20-30 MW something else and moreover, these hydro are seasonal like they basically operate at a good speed only in the Q2 of the FY and the first quarter you can say of the moderate capacity. But unfortunately, we have seen that in the segment reporting, you have put only one power. So I encourage and request that this segment should be divided in two parts. Number one should be thermal power and number two will be hydro or you can say hydropower so that the results are comparable. Now for example in the Q4 results, we just announced, our Sikkim power plant is almost closed, but we see still good profitability coming in power because of the thermal power plant. So this is distorting the results. So please, going forward, currently have 2 separate segments, one for thermal power, one for hydropower.

Nilay Joshi: Okay, sir. We will look into that. Still, if you want to get some idea, you refer to Slide #5 of the investor presentation where you will get details on the hydropower, the revenue and EBITDA margin details. I take your suggestion.

Marshall: But sir, like we can refer that I already made like I even saw this for example last year that what was there for example in the queue for what was the hydropower, it was miniscule so I could get some idea, but again the profitability is much higher in hydro as compared to thermal because the raw material is almost free there. So whatever we like from the sale only we cannot see this profitability, so that's why. And second thing that like where do we stand in terms of for example another appeal going to Supreme Court like what is the life for example it's likely result like are you anticipating? Number two, where do we stand in terms of the expense and of the another 600 megawatt of this SKS Power.

Nilay Joshi: Can you repeat your question? We couldn't get your question.

Marshall: Yes, my first question is that since you have taken over this SKS Power, but in the notice also mentioned that these unsuccessful bidders have filed appeal in the Supreme Court. So what is the current status of that and what is your management confidence?

Pankaj Sarda: The matter is sub-judice and the next hearing is coming in the next month end.

- Marshall:** So like that is what the first hearing or already few hearings have happened.
- Nilay Joshi:** I will just clarify. The matter is in the Supreme Court. It is sub judice. It has been in the Supreme Court. It has been ongoing for some time now. And the next hearing is tomorrow. But it is a vacation, so let's see what happens. The matter is, I mean, whenever it will be heard is the Supreme Court's prerogative, it is difficult to comment.
- Marshall:** That's okay. That's understandable. And sir, where do we stand in terms of the next expansion of this power plant, another 600 megawatts for which we said, that we already have this utility ready?
- Pankaj Sarda:** Sir, regarding the power plant expansion in SKS Power, so we had an environment clearance, but it has lapsed. So, we have to again redo the public hearing and things like that. Our team is gearing for it and in the coming one year or 1.5 years, we will have all the clearance and then we can start the process.
- Marshall:** Okay, sir. My last question is regarding this our captive mining, whatever coal ore we have like now we have this optimal like can say extraction or like what other for example say value addition is going to be made which can push up our EBITDA.
- Nilay Joshi:** Sir I will just make a correction. So we run commercial mines. I am just correcting you. The mines are commercial mines except for the iron ore mine which is a captive mine. All the others are commercial mines, which means there is no restriction on the end use of minerals. And details are in the presentation, you will get the current status of each and every mine.
- Marshall:** Okay.
- Pankaj Sarda:** It is yet to be come on board.
- Marshall:** Thank you.
- Nilay Joshi:** You can refer to Slide #21 and 22 and that will give you a clear idea as to what are the levers of growth in mining and what is happening in each and every mine.
- Marshall:** Okay, so I can see that you have just loaded this presentation today. No problem. I will go through it. If I have any question, I will come back on the queue. Thank you, sir. Thank you.
- Moderator:** Thank you. Next question is from the line of Rajesh Bandari from Nakoda Engineers. Please go ahead.

- Rajesh Bandari:** Yes. Good evening, sir. I just wanted to know what is the basic reason that this quarter the results were not that good. Normally, otherwise, Sarda results are quarter-to-quarter very good. What is the basic reason, sir?
- Nilay Joshi:** No, sir, there are a couple of things that you, I think, should look at when analyzing the results. I think the results are excellent. If you look, one you should look at the cash profit. Okay, because there's a deferred tax component, so look at the cash profit that is also disclosed in the presentation. That is one thing. Then if you look at the revenue growth, and the EBITDA growth YoY, you will get a very good idea as to I mean, it's a significant growth 39% growth YoY and 62% growth in EBITDA. I mean, in both for the quarter and if you look for the year, there's a 44% growth in EBITDA. So I think numbers are quite good. The only reason I mean, there are few reasons that will make the numbers even better, which I mean, one is that the ongoing post acquisition stabilization efforts at SKS are on which means the PLF will further improve from here. Also, the results only include partial like 7 months, less than 7 months type of results for SKS. So, all that will improve the results further. But I think the results are, I mean, if you can see any weakness, you can point out, but normally I would say the numbers both on revenue growth or EBITDA growth or cash profit, that's quite good. There cannot be QoQ comparison because you have hydropower included.
- Rajesh Bandari:** Sir normally what is the PLF of SKS Power?
- Nilay Joshi:** We already mentioned in the call the average PLF for FY'25 has been 73%, that is already mentioned in the con-call address. But in the fourth quarter, because of the efforts that we have put in, the PLF improved to 80% and we see an improving trajectory for the PLF. We don't want to put a number to it, but we see an improving trajectory to the PLF going forward. If you look at Slide 6 you will see that in April we did a 96% PLF and the plant secured 6th position in the All India PLF rankings of CEA. So, things are improving and clearly it's in the right direction.
- Rajesh Bandari:** Sir the demand of ferroalloys' demand and price, can we expect any improvement?
- Pankaj Sarda:** Ferroalloys pricing wise, we will see probably a 5% depression mainly, but this is going to be mainly caused by the reduction of the ore prices more than anything else. Demand wise, demand we think domestic demand is going to be quite good, strong. Export demand is going to be a little stress because of these tariff issues and safeguard investigations everything going on all over the world. There is a little unpredictability about the export demand scenario. It is a little tough.
- Rajesh Bandari:** If the export demand will be less then our profit will also reduce sir.
- Pankaj Sarda:** Domestic profitability is quite good because in the domestic, we use less costly ore, right. The grades are quite different and when we are seeing good support from the domestic, demand is pretty strong. And the second part which is helping us in our area is that a lot of plants are facing

an increased energy cost, especially in the West Bengal area where DVC has increased the power rate by about Rs. 1.20 finally after a long time. So, it is significant, about 30% of India's ferroalloy production happens in that belt. So that's about Rs. 4000-Rs. 5000 where production cost has increased. So that even if there is some demand weakness that puts a cap on how much they can reduce the price. Because already operating at a very these profitability levels are quite historically on the lower side at the moment. So, there is a limit we can go lower pricing wise.

Rajesh Bandari: But our profitability will be then comparatively better because of the availability of the power at a cheaper rate?

Pankaj Sarda: Yes sir, definitely and if you see across the industry, we are on the bottom 25% in the costing wise for the power cost. Plants which are having some abnormal power rate, remaining all are about Rs. 7, 6.50, 7 because some are paying around 6.50, so there is a deferred element to it, right. They have a subsidy which is not sustainable. So, we don't see major price depression happening at the moment. Demand is not so strong that we have to admit. But then a lot of capacity is also getting cut systematically. The higher price, people are using higher price electricity are just closing production.

Rajesh Bandari: So, what would be our cost of SKS Power?

Pankaj Sarda: That keeps on changing because the raw material you use and the power that you get is definitely captive coal. So, definitely there is an advantage in pricing.

Rajesh Bandari: So, 10%-20% advantage there sir?

Nilay Joshi: There are multiple things to consider like wherever we have PPAs there we get FSA coal, and we have our own captive coal. And then we take third-party coal, so it is difficult to comment but yes, our costs are very-very competitive.

Rajesh Bandari: Okay sir. All the best for the future sir.

Moderator: Thank you. The next question is from the line of Rakesh Roy from Boring AMC, Omkara Capital. Please go ahead.

Rakesh Roy: Hi, sir. My first question regarding, sir, if you see our steel volume, our steel volume is down 13% near. Any reason the demand is slow or anything else?

Pankaj Sarda: Rakeshji, there are two, three things. I've covered in my concall address also that we had taken some shutdown for carrying out corrections in our plant. So, we stopped our plant for 30 days, 30 to 45 days for further improvement in the plant. One is that. Second is, see, intermittently when the power rate in the grid is higher, we tend to stop our productions and because better

realization in giving power to IEX so we reduce our production there and we sell power in the grid. So that also is the reason.

Rakesh Roy: Okay. But sir, you sell the power to the grid. If you see your power realization for this quarter is there by Rs. 6.50 if I am right compared to last quarter is Rs. 6.64.

Nilay Joshi: No, see in Quarter 4, the realization was weaker. In the first quarter, it has gone up.

Rakesh Roy: Okay, in the first quarter it has gone up. But that's why I am saying this in Q4 as you say, due to the higher realization, you make a sell of the power to the grid. That's why the production is down.

Nilay Joshi: But the main reason if you see if you refer to our con call address, so the main reason is because the plant was under shutdown for certain modifications for improvements which you will see in terms of better results going forward. The plant was under maintenance and improvement for more than a month, different units were under different days of closure. So that is the main reason and of course, yes, we have sold certain power to the IEX and all. So that depends on the time of the day, it might have been lesser, but certain time it could be a little bit higher. So that way, I mean, you have to work out the economics.

Rakesh Roy: Okay. So my next question is, any guidelines for FY'26 in terms of volume for this steel and power '26 and '27?

Nilay Joshi: Normally, we don't give forward guidance, but I mean we have taken modifications and we expect things to be because the plant will now be operational and with a better efficiency so things should be better, but in terms of numbers we don't give forward-looking guidance.

Rakesh Roy: No, no I am not asking in terms of numbers, I am talking in terms of percentage 5%-10% from here for FY'25 like this type in terms of volume.

Nilay Joshi: The prices you cannot predict how the commodity prices are?

Rakesh Roy: I am just saying that if prices remain same, could prices remain like for whole year, so how much volume you are expecting?

Nilay Joshi: See the logical is that it should come back to the regular levels of production. The production will come back to the normal levels which was there in FY'24 and maybe improve a little bit because of the modifications we have done. But then beyond that, saying anything will be very difficult because it's a volatile market. Prices, you don't know in commodity to put a price. So that is very difficult.

- Rakesh Roy:** Okay. My second question is, are you seeing any margin improvement from here because coal prices is down? And if you see margin improvement from Q1 or Q2, from here onwards?
- Nilay Joshi:** Power definitely will, I think compared to Q4 things will be, I mean, thermal power Q1 is the best quarter.
- Rakesh Roy:** Okay. So the questions whether margin should improve in Q1 compared to Q4?
- Pankaj Sarda:** It's very hard to say that, but raw material prices are also going down as well as the finished prices are also going down. But there is a lag when the finished product prices go down and because after generally the raw material prices go down later. But we can see the trend at the raw material prices and finished prices going little bit down.
- Rakesh Roy:** Okay. So my last question is, any chance in the next 2-3 years you will hive off your power business because power revenue is nearby 45% of total revenue, nearby, after SKS. So any chance in the next, are you planning to hive off this power business to separate Company and like this any plan?
- Nilay Joshi** The name of the Company is Sarda Energy and Minerals Limited. So, it begins with energy. It begins with energy. And energy as I said in the opening remark also, energy is going to become more and more prominent. That is the clear guidance that we can give you that energy vertical is going to become more and more prominent in terms of contribution to both topline and bottomline. If you see Slide #5 of the presentation, already EBIT contribution of the energy vertical is almost 50%.
- Rakesh Roy:** Exactly.
- Nilay Joshi:** Expect that to go up significantly because of various reasons which are already captured in that slide. So, the energy vertical for Sarda Energy and Minerals is going to become more and more prominent and the name itself is Sarda Energy.
- Rakesh Roy:** Okay. Thank you, sir.
- Moderator:** Thank you. The next question is from the line of Bharat Pathak, an individual investor. Please go ahead.
- Bharat Pathak:** Thank you sir for giving me the opportunity to ask the question and first of all congratulations to the entire team for such phenomenal results.
- Pankaj Sarda:** Thank you Bharat ji.

- Bharat Pathak:** My question is not actually a question, I just wanted to understand, it's page #36 that thermal power generation versus sales. So we see that the generation is 3,482 million kilowatt hours. But the sales is only 2096 million kilowatt hour.
- Nilay Joshi:** Balance is captive consumption and auxiliary.
- Bharat Pathak:** Thank you sir. That was my only question.
- Nilay Joshi:** So we have in thermal power, as you would appreciate, we have two types of assets in thermal power. One is the power plant, I mean the IPP, where we sell the power to the grid or under PPA or whatever. So where we basically sell the power and the other is the captive power capacity of 160 megawatt. So those captive power plants we use for internal consumption for manufacturing of steel or ferroalloy. So that is why the difference that you see between the generation and sales. I hope that's clarified.
- Bharat Pathak:** Yes, I understood that part. Just, I mean, if you allow me, maybe I can ask one more question. Yes, I was looking at this metals production and sales numbers for Iron Ore Pellets, Sponge Iron, Steel Billet, Wire Rods, H. B. Wire and Ferroalloy. I see that it's like last 4, 5 years is like completely flat, hardly some 4% to 0.3% minus 2.5% growth, 4.5% growth. So is this like a common trend across industry or like something specific only to our Company?
- Nilay Joshi:** No, you are talking about the production numbers, volume?
- Bharat Pathak:** Yes, production and sales figures. The volume was flat for the last 4 to 5 years.
- Nilay Joshi:** Sir, it is like this that production wise, so now we have, on a big picture basis, now we have basically 3 verticals, energy, minerals and metals. Metals is our legacy business, which is already under optimum utilization or optimum production level. There might be minor delta in production here and there because of some improvement that we do in the plant, etc. but there is no major expansion that we are planning on the metal side as of now. Largely the expansions that are happening are either on the mineral side or on the energy side. As you can see from the revenue growth and EBITDA growth numbers also that the growth is coming from energy and minerals, right? On the metal side of the business, the type of improvements that will happen will be either carbon footprint reduction or for improving efficiency, which include projects like the solar project or the mineral fiber project that we completed recently. So those are things that reduce cost, save cost or improve efficiency or reduce carbon footprint of the Company and makes the steel green. So, we are not doing any large capacity expansion on the steel side. Pankaj ji, you want to add anything to it?
- Pankaj Sarda:** I totally agree. Strategically, we have taken a decision. The group has taken a decision that we would want to grow in energy and minerals direction. And that's how we have put our CAPEX in the last 5 years in those areas.

- Bharat Pathak:** So the EBITDA for this coal based thermal power generation, like you said, like for the hydro thing, comes around 72% EBITDA margin. Is it something similar for coal or it is much lower?
- Nilay Joshi:** Coal is much lower, sir. Coal is much lower. Hydro because there is no cost in hydro, right? The only cost in hydro is during the putting up the CAPEX. Otherwise, water is free, you see.
- Bharat Pathak:** Thank you for answering this question.
- Moderator:** Thank you. The next question is from the line of Rajesh Bandari from Nakoda Engineers. Please go ahead.
- Rajesh Bandari:** Thanks for giving me chance once again. Sir in fact, as you have just explained that you are seeing energy and minerals as the growth sectors that is the best thing as a matter of fact, because they will be the basic price earner. Sir, on energy, the demand in India is going to increase every day and we have so much space in SKS power plant so to cater that demand cannot we start putting the solar plant from now only?
- Pankaj Sarda:** We are putting a solar plant of 50 MW near Raipur.
- Rajesh Bandari:** 150 MW?
- Pankaj Sarda:** 50 MW. As of now, we are putting 50 MW and major CAPEX on the solar side as of now is this much only.
- Rajesh Bandari:** Okay and do we get any price wise incentive of greener steel?
- Pankaj Sarda:** No, green steel as such, there is no policy of the government at the moment to price it over or give a price incentive. But going forward, as a group you are reducing your carbon footprint, which is important as that will be a major issue. As of now, there is no settled norm from the government that they will pay extra for some green steel or something. The technologies which are going to be used in green steel also are still under study. Whether they will use radical technology like hydrogen or they will do some radical improvement in the current steel making by reducing the amount of the carbon burning or different way of reduction, it's a technology under transition at the moment. Very difficult to say anything.
- Rajesh Bandari:** Sir do we have any plans to acquire any plant which is under NCLT?
- Nilay Joshi:** Sir, we evaluate opportunities in the verticals that we are focusing on, which is energy and minerals. We keep on evaluating opportunities. Our balance sheet is very strong. I think the way the capital allocation that we have done has been very prudent so if something fits into our business and if opportunity is there, we will definitely look at it.

- Rajesh Bandari:** Sir, like scrapping of the deal of JSW and Bhushan Steel & Power....
- Pankaj Sarda:** Yesterday the stay has come but our matter and their matter is totally different, so we cannot compare.
- Rajesh Bandari:** Thank you.
- Moderator:** Thank you. The next question is from the line of Marshall, an individual investor. Please go ahead.
- Marshall:** I have gone through your slides, just a few questions. Number one is regarding coal. Currently for this SKS Power unit, how much approximately coal is being consumed and against that how much coal we are utilizing from our captive production and how much we are buying, number one. In the same regard, suppose once we like Gare Palma, if we just like spend 1.8 million tons, then what will be our cost of production for the coal and currently the coal which we are buying for SKS Power at what rate are you buying?
- Pankaj Sarda:** I will answer this. Sir, every day if the plant is running at full capacity, we are consuming 10,000 tons of coal, generally I am just giving you thumb rule on how the consumption is happening. So government comes out with SHAKTI coal linkages and the coal prices are much much cheaper. So if we are lucky and if we get good pricing in SHAKTI coal linkages, we try to take as much coal from SHAKTI coal linkages and the shortfall is always we have a facility of own coal mine from where we can always utilize coal. But our coal mine is as told also in earlier question, it is a commercial coal mine. So, if it is not consumed in our captive power plants or IPP, it can be sold in the market as well.
- Marshall:** That's very good sir. My second question regarding this one of the unit was shut down for about a month, so was it properly insured, did we file a claim on the insurance for the shutdown because there was a fire incident also, so like did we file a claim for the loss of profit as well? Because this insurance has nowhere been mentioned in the accounts also.
- Nilay Joshi:** So you have to appreciate one thing sir. This plant was acquired under NCLT, which means it was an NPA and it was basically being, I mean not run as a regular plant, right. So, after we came in, we have carried out regular improvements and things like that. Since it is a distressed assets, it takes some time before you can kind of stabilize it properly and make the operations proper and efficient the way you want a regular asset to run. So, in the initial stages in a distressed asset, you will always find these type of challenges and something happens, something missing, so that is where all this is.
- Marshall:** No, actually, I am not referring to the first shutdown, which was the maintenance shutdown, which is a normal part and parcel of any plant, like from September to October. I am talking about the fire incident.

- Pankaj Sarda:** Yes, I am happy to share that there was no loss of asset and I am very proud of our team who had worked day and night to bring back the equipment in running condition. Immediately, we could procure them and could import them on timely basis or on a fast basis. So fire was detected very fast and it was quenched almost immediately. Half an hour everything was under control.
- Marshall:** That is a good thing sir my question is due to these consequences we also lost profit for one month so for that you must have claimed I am asking that sir.
- Pankaj Sarda:** Loss of profit requires a shutdown of 45 days or something like that and it did not get triggered. The second thing which I wanted to tell you that when you buy a Non-Performing Asset (NPA Asset) you always get a gap in that. That is what I was trying to tell you that our team has been continuously on the job after the takeover of the asset but it takes six to nine months for any NPA asset to bring it into the form.
- Marshall:** In the same sequence, I want to execute one more valid input here because 45 days for example is other colleague has mentioned regarding this like it is minimum required for the policy, but let me tell you those minimum criteria are set by different insurers is different and these can be negotiated. So 45 days is too large period. I will request that to reduce or reduce it to 7 days, 3 days.
- Nilay Joshi:** Fully take your point sir, that is why I said at the beginning that there will be gaps in any NPA asset and the team is working to fill those gaps. We appreciate your point.
- Marshall:** Fantastic sir. The second thing is in PPT, it has written that mineral fiber project. What is mineral fiber project? Can you just give some highlight on this one?
- Nilay Joshi:** The mineral fiber is basically made from waste. The project has just come online in March. We have started supplying some product in the market and we will come back with details on market acceptance etc in due time.
- Marshall:** What would be the CAPEX for this sir?
- Nilay Joshi:** It is basically waste-to-wealth project.
- Marshall:** Okay, how many CAPEX you have incurred sir?
- Pankaj Sarda:** 50 tons.
- Marshall:** No. CAPEX, how much?
- Nilay Joshi:** CAPEX was Rs. 70 crores. Rs. 70 crores of CAPEX happened.

- Marshall:** Will it be breakeven positive sir? Or the money is gone? Sorry sir? Will it be breakeven positive in the near future?
- Nilay Joshi:** Sir we are positive on the product. We have just started supply. We have built a good team and we have just started supplying to the market. So that's why I said maybe in the next quarter, we will be in a position to comment more on the product as the market acceptance increases. It takes some time to build the market. So we are in that phase.
- Marshall:** Understood. And sir one other humble submission and suggestion. So whatever I think that like as you mentioned that we are using 10,000 metric tons of coal per day. So it means there is huge amount of logistics and transportation required for the coal like this movement as well as the ore also. So sir like I have seen because in my own experience I have seen that like this logistics cost for this commodity business like be it cement or steel. It's very high 30% cost is generally the logistic cost. So are you 100% taking this transportation on hire or did you also create your own fleet and transport department because we could save a lot if you do our own captive for example, captive transportation.
- Pankaj Sarda:** Sir, as of now, we don't have our own fleet and managing fleets is a different ball game and you need to have that bandwidth also to handle all the truckers and the drivers and the helpers and the trucks and the maintenance etc. So as of now, we don't have this facility in place and right now as Mr. Nilay Joshi discussed, our first and primary objective of this IPP plant is to run at full capacity and to have better PLF numbers. So we are focused on that at the moment. So that is the idea. So we are focused on improving the PLF of the plant. Maybe in future, we can think of that.
- Nilay Joshi:** Just to add on to what Mr. Sarda said, from the logistics side, the power plant, the IPP plant already has anrunning operational railway siding, okay, on which the coal delivery happens as on date also. I mean that is the best way of logistics for coal. Our Siltara plant also has railway siding and we are in the process of developing a railway siding at our coal mine. So we see that the best way to transport coal in the most cost effective manner is through railways and we are working on that already, both our major plants are having a railway siding in place and we are developing a railway siding on our coal mine also. So, I think that should largely take care of the logistics of getting the logistics part under control.
- Marshall:** Sir, I fully agree just like because my own experience I am only sharing with you. I understand that currently our prime focus, our prime objective is to maximize the PLF no doubt, I am not saying to do today, but what I am saying since we are also shareholder for the long term what I am saying that for example even if this railway siding is there, if the railway siding is coming to the pit or to the head of the plant, it's fantastic but again for example this unloading loading is there. I have seen that how the transporter are minting money, I have seen from my own, I have seen that how the transporter has become multi-million, multi-million, multi-million. I have seen them growing in the last 30 years. So that's what I am saying. Not now. Means that we can create

a separate department or separate profit center, like be it sufficient admin guy, transporter guy, whosoever, because since our volume is too huge and plus we are more investing in the minerals and the mines. So this requirement is going to more and more and more because here, sir, like this transporter, a person who buys a truck today within 24 months or like his truck become cost free. So what I am saying that this is kind of the delta they are making. So please, if we cannot replace 100% of the transporters 30%-45%, we should start like we should make a plan so that in the next one to two years we can start it and we had a fund plus Company. And like there is no like problem in funding those things. But yes, I fully agree. Existing manpower of transport department cannot run it. It has to get a separate vertical, which itself has to be profit center so definitely it will bring some more profit for the Company sir. And like currently we think it is either for example we are taking it as granted, but there is money which can be saved for the Company sir.

- Pankaj Sarda:** Sir, thanks for your suggestion. We will look into it. Thank you.
- Moderator:** Thank you. The next question is from the line of Vedant Sarda from Nirmal Bang Securities Private Limited. Please go ahead.
- Vedant Sarda:** Thank you for the opportunity. I want to just add our new capacity of 600 megawatt, which is fully operational in the current year. What kind of revenue addition we can expect and EBITDA from the project?
- Nilay Joshi:** You mean the SKS Power, the 600 megawatt.
- Nilay Joshi:** Yes, so you can take maybe, I mean, around 400 crores of saleable units.
- Vedant Sarda:** 400 units.
- Nilay Joshi:** Crores.
- Vedant Sarda:** Rs. 400 crore of revenue.
- Nilay Joshi:** No, saleable units. Power units.
- Pankaj Sarda:** This year we produced around 3400 million units..
- Vedant Sarda:** Okay.
- Moderator:** Thank you. The next question is from the line of Pranay from Alfa Invest. Please go ahead.

- Pranay:** So yes, just continuing on the last participant's question, you mentioned that you're hoping to produce some 4,000 million units. So, what is the price, average price per unit that we are expecting?
- Nilay Joshi:** Price varies but we have a PPA in place, but for the balance capacity, it depends on the market conditions. But I can give you more broader picture. What we doing as a strategy, we are trying to tie-up a large part of the capacity for long-term PPA. We are working on that. So I was saying that as a strategy, I mean, we right now have around 100 megawatt of medium-term PPA. And we are trying to basically see that a larger part of the capacities can be tied up into medium-term PPAs or long-term PPAs so that we have more stability in terms of price realisation. But right now, to comment on one single price, it will be very difficult because short term arrangements on sale of power or on IEX, whatever that keeps on varying, it's a seasonal thing. Summers you get a very good high price and then you'll get a low price. So, it changes, so you have to get into long term or medium term PPAs to be able to give a proper price guidance.
- Pranay:** Okay, all right. Can you just give a guidance on what are the current PPAs being done at the current rate and market? Like not the exchange rate, but PPA rate.
- Nilay Joshi:** The existing 100 megawatt is at Rs. 5.2.
- Pranay:** Okay, all right. And on average, we can assume Rs. 5 considering some as the other and later on less.
- Nilay Joshi:** I think average between 5 to 6 for the whole year.
- Pranay:** Okay. And just one or two more questions on this side. What is the debt for the thermal power plants? How long is the expected life of this asset?
- Nilay Joshi:** I didn't get the second part of the question. The total funding requirement, cost of acquisition of the thermal power project was Rs. 1950 crores and that was funded in a debt to equity of 70-30. So, around Rs. 1380 crores of bank debt is what we had taken and already repayments have started.
- Pranay:** So just wanted to confirm when we acquired the Company, there was no debt on the Company itself, right like on SKS?
- Nilay Joshi:** So this acquisition happened under IBC where basically, it had already become NPA, right? The asset was an NPA asset. Basically, the payout that we made went to financial creditors or operational creditors. The debt was settled in that sense.
- Pranay:** Okay, so the Company itself is debt free. We have taken some debt to fund the acquisition?

- Nilay Joshi:** So now it is merged actually, now it is a single entity.
- Pranay:** So the debt is just the one we have. So the like Rs. 2000 crores is the total.
- Nilay Joshi:** The only debt which came with the asset was the one that we raised to fund the acquisition. There was no debt which came along with the asset.
- Pranay:** Okay, and the second part of the question was, what is the expected life of this asset?
- Nilay Joshi:** Pankaj ji, you want to answer that?
- Pankaj Sarda:** It would be around 30 years from now because it has run very little.
- Pranay:** So usual thermal power plant run 35 years or so, I am assuming 30-35. Thank you very much.
- Moderator:** Thank you. The next question is from the line of Rajesh Bandari from Nakoda Engineers. Please go ahead.
- Rajesh Bandari:** Sir I wanted to ask you that our SKS Power Plant, is it being maintained still by NTPC?
- Management:** No. Just within a month after our acquisition, we prematurely terminated the contract and we are looking after with the existing people only.
- Rajesh Bandari:** Sarda is in a position to maintain such a big plant. That's really commendable.
- Management:** The result shows.
- Rajesh Bandari:** Yes, it's really commendable, sir.
- Nilay Joshi:** Sir, we have a very highly qualified team of people, very, very senior people from NTPC and other established organizations who have joined us over a period of time including the gentleman who was speaking, who was a senior Executive Director with NTPC. So, we have a very strong team in place.
- Rajesh Bandari:** What turnover can we expect for the yearly turnover of mineral fiber?
- Nilay Joshi:** Sir, right now it will be too early to speak about that. It's a new product for us, we have introduced it in the market. Initial response we have got is positive. But you give us a quarter or two before we can put numbers to it.
- Rajesh Bandari:** What are the application of mineral fiber?
- Nilay Joshi:** Energy conservation.

Rajesh Bandari: Is it kind of glass wool?

Pankaj Sarda: Rock wool.

Rajesh Bandari: Rock wool, okay sir. Thank you sir, thank you very much. This was the last question from my side.

Moderator: Thank you. Ladies and gentlemen, in the interest of time, we conclude this call and I hand the conference over to the management for closing comments.

Pankaj Sarda: The year gone by has been a record-breaking year for the Company and the current year is more exciting. The diversification strategy of the Company into energy and minerals has paid off well. The operating performance of IPP has shown consistent improvement. The Company has been reinvesting surplus funds in a number of diverse projects for long-term sustainable growth. Current year performance will have incremental benefit of full year operations of the IPP, increased production of coal and commissioning of 3 new projects that is 25 megawatt Rehar Hydropower Project in Chhattisgarh, the Mineral Wool Project in Vizag and 50 megawatt Solar Power Project in Chhattisgarh. Please feel free to reach out to us or our IR team for any further questions. Thank you all.

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