SEL

SMEL/SE/2021-22/32

November 15, 2021

The Secretary, Listing Department **BSE Limited** PhirozeJeejeebhoy Towers Dalal Street Mumbai 400 001 Maharashtra, India Scrip Code: **543299**	**The Manager – Listing Department** **National Stock Exchange of India Limited** "Exchange Plaza", 5th Floor, Plot No. C/1, G Block, Bandra-Kurla Complex, Bandra (East), Mumbai 400 051 Maharashtra, India Symbol: **SHYAMMETL**

Dear Sir/Madam,

Sub: Transcript of the Q2FY22 Earnings Conference Call, conducted on November 9, 2021.

Pursuant to Regulation 46(2) of the SEBI (LODR) Regulations, 2015, we enclose herewith the Transcript of the Q2FY22 Earnings Conference Call conducted on November 9, 2021 after the meeting of the Board of Directors held on November 8, 2021.

This information is being also hosted on the Company's Website at www.shyammetalics.com.

This is for your information and records.

Thanking you,

Yours Faithfully,

For **Shyam Metalics And Energy Limited**

SHYAM METALICS AND ENERGY LIMITED ★ Kolkata

Birendra Kumar Jain
Company Secretary

Encl: As above

"Shyam Metalics and Energy Limited (SMEL) Q2 and H1 FY2022 Earnings Conference Call"

November 09, 2021

Management:

Mr. Brij Bhushan Agarwal - Vice Chairman & Managing Director

Mr. Deepak Agarwal - Executive Director - Finance & Compliance

Mr. Ravi Ramalingam – Vice President - Corporate Services

Mr. Pankaj Harlalka – Head Investor Relations

Moderator: Ladies and gentlemen, good day, and welcome to Shyam Metalics and Energy Limited Q2 and H1 FY2022 Earnings Conference Call. As a reminder, all participant lines will be in the listen-only mode, there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing '*' then '0' on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Pankaj Harlalka – Head IR – Shyam Metalics and Energy Limited. Thank you and over to you, Sir!

Pankaj Harlalka: Thank you Tanvi. Thank you, ladies and gentlemen for joining us in the call. I Pankaj Harlalka - Head of Investor Relations at Shyam Metalics wishing you all a very good evening and a very warm welcome to the second quarter and first half FY2022 post results conference call.

Before we delve into discussing the quarterly numbers I on behalf of the management would take this opportunity to wish you all a very Happy Diwali. I hope you all had an opportunity to review our press release and the investor presentation which are available under the investors section of our website and the same are accessible in the BSE and NSE websites. The press release and the investor presentation have been emailed to the investors and analysts who are part of our email distribution list.

To discuss the second quarter and first half results I am joined by Mr. Brij Bhushan Agarwal – our Vice Chairman & Managing Director; Mr. Deepak Agarwal – Executive Director - Finance & Compliance; Mr. Ravi Ramalingam – Vice President - Corporate Services; and Payal Dave from Orient Capital – our Investor Relations Partner.

Before we begin the conference call, I would like to mention that some of the statements made during the course of the conference call by the management may be forward-looking in nature including those related to the future financial and operating performances, benefits and synergies of the company's strategies future opportunities and the growth of the market of the company's products.

Further I would like to mention that some of the statements made in today's conference call may be forward-looking and may involve include risk and uncertainties. I would like to upfront state that during the Q&A session questions should only be pertained to the quarter under review and of the first half of the current financial year. The management would not be commenting on any of the speculative news that may be doing rounds in the social media or in the electronic media.

For the benefit of the existing shareholders who could not participate in our previous investor call and for the new set of investors who have on-boarded us recently I would like to give you an overview.

Shyam Metalics and Energy Limited is an integrated Ore to Metal Company present across the value chain in the alloy steel as well as non-alloy steel segments. The company's diversified product profile and cost leadership while intimating implementing the capex programs and maintaining discipline while managing operating costs have enabled the company to maintain consistency in reporting profit at the operating and at the net level for the past many years.

Our disciplined capital allocation policy of executing capex programs through internal accruals and takes debt only to meet our working capital needs have enabled us to overcome many rough business cycles successfully over the past two decades. Sticking to what has worked for us we already have an expansion plan in place to organically grow and diversify our product portfolio.

Our expansion plans are Brownfield and are coming up at strategically locations while what we manufacture has the market potential to be exported as well., We are reasonably protected from the threat of imports. We are mostly in the long product segment of the steel industry, and we have not seen any imports into the country for products manufactured or segments catered by us in the past. All our plants are located very near to source of the raw materials and the same are abundantly and sufficiently available facilitating cost leadership and timely availability.

We over the years have invested in good infrastructure and upgraded the technology from time-to-time which is reflected in our operating and financial performance. We have private railway sidings in two of our major plants. We follow a model of waste to value while designing the production modules and always believe in creating a fine balance in capacities, which have led to consistency of performance. This has assisted and enabled the company to report steady profitable growth. We have captive power plants majorly based on waste heat recovery from our DRI kilns, the low cost of power is mainly used to support and meet the requirements of our ferroalloy plants making us one of the lowest cost producers of ferroalloys in India. We are one amongst the largest ferroalloy producers in the country, the fourth largest sponge iron producer and amongst the largest pellet producers in the country. We primarily produce intermediate and long steel products such as iron pellets, sponge iron, steel billets, TMT bars, structural products, wire rods, and ferroalloys with specific focus on high margin like customized pellets and specialized ferro alloys for special steel applications. Our TMT and structural products are sold under the brand SEL. We also undertake conversion of hot rolled coils to pipes, chrome ore to ferrochrome and manganese ore to silicon manganese for an Indian steel conglomerate.

We are in the process of diversifying our product portfolio further by entering into segments like pig iron, ductile iron pipes, and aluminium foil. We presently operate three manufacturing plants that are located at Sambalpur in Odisha and Jamuria and Mangalpur, in West Bengal. At the end of FY2021 the total installed capacity of our manufacturing plants was 5.71 million tons in aggregate comprising of intermediate and final products and now at the end of FY2022 it is at 5.7 million tons still. Our plants also have captive power plants with an aggregate installed capacity of 227 megawatts at the end of FY2021 and now at the end it remains the same.

Our Sambalpur and Jamuria plants operate as an integrated steel plant and has captive railway sidings, captive power plants, and captive water reservoir. Our plants are fungible by design which provides us with the ability to quickly adapt to the ever-evolving market conditions by changing our production and product mix to enhance the operating margins thereby insulating the profits from the price volatility. We have eight captive power plants that utilize non-fossil fuels such as waste rejects, heat and gas generated from our operations to produce electricity thus enabling us to operate at lower power costs.

Our Sambalpur plant caters to customers in central western and southern regions of India whereas our Jamuria and Mangalpur plants cater to the customers in northern and eastern regions of India. Our product caters to a mix of customers that consist of institutional and end user customers through our distribution network. At the end of first half 2022 we have partnerships with 80 dealer distributors who stock and sell our products across 28 states and one Union Territory. In the first half of FY2022 we derived 80% of revenues from domestic markets and the balance came from overseas markets. The revenues from B2B institutional segment accounted for 65.7% of revenues and B2C through dealer network accounted for 34.3%. We have a strong risk management system in place, which has been formulated by a very experienced board.

Now I would like to invite Brij Bhushan ji Agarwal - Vice Chairman and Managing Director to provide his perspective on the performance of the second quarter and as for the first half of this current financial year. He will also provide his thoughts on our strength and strategies of the future. Thank you and over to you Sir!

Brij Bhushan Agarwal: Thank you, Pankaj. A very good evening to all the participants' and thank you for joining us on the call to discuss our second quarter and first half financials 2022 business performance. At the same time, I wish you all a very Happy Diwali and pray to God for good health and happiness to all the members.

I would like to begin the call with a brief overview of the financials followed by the operational performance and the strategic initiatives. After that, I would like to hand over the call to our Executive Director, Finance, Deepak Ji to discuss the financial performance in greater detail. We will then open the conference call for a Q&A session.

I am pleased with our operating and financial performance for Q2 financial year 2022. For Q2 we have achieved a revenue of Rs.2494 Crores which is growth of 87% over last year's second quarter. In terms of revenue mix, I am glad to share that we have also increased on the higher value added segments such as long products, structural pipe in our Q2 against Q1.

For Q2 FY2022 we have achieved an EBITDA of 624 Crores growth of 140% over the last second quarter. In the terms of blended EBITDA per ton we have achieved Rs.17008 per ton for Q2 an increase of 92% over last year second quarter primarily driven the changes because of the revenue mix and the improvement in the realization.

Now I will quickly review the first half financials for the Q2 2022 where we reported revenue of Rs.4959 Crore's growth of 121% over last first half. In terms of revenue mix the higher value-added segment accounted for 33.5% of FY2021 against 34.3% in FY2022. We reported an EBITDA of 1312 Crores growth of 218% over last year first half.

In first half 2021 we reported an EBITDA of 18.3% and I am glad to share that in first half 2022 our EBITDA margin has gone up to 26.4% an expansion of 810 BPS. In terms of blended EBITDA per ton we achieved Rs.18089 in 2022, an increase of 124% over last year's first half and as we are focusing on improving the product mix. Improvement to realization, operational efficiency and cost optimization and rationalizing effort enabled the company to report a net profit of 868 Crores in the financial half of 2022 growth of over 262% over the last year first half. Overall, I am very pleased with the way we have reported our Q2 and first half number.

Now I would like to share about our integrated operations across the chain the integrated nature of our manufacturing facilities has resulted in the control of the overall aspect of our operations as well as the improved operating margin enabling us to focus more on the quality and create multiple points of sale across the value chain. Our manufacturing plant is strategically located on the raw material source and we believe lower our cost in the forms of transportation provides significant logistical advantage thereby improving our operating margin.

Our plants are located within 250 kilometers of the mineral belt and hence our access of iron ore fines, manganese ore, chrome ore, coal is not difficult. I am also delighted to share that since the modeling of our business is dependent on these domestic raw materials, we are insulated from the import risk of coking coal, and this always gives us a distinct advantage on our EBITDA margins and the cost we believe the strategic location of our manufacturing plant has helped us in creating synergies and achieving the economic scale of operational efficiency. Apart from that we are well connected with roads, railways and ports.

As Pankaj has stated clearly that out of our total revenue around 20% of the revenue is from the export market so the advantage of nearing to the port enables us to take the advantage and create a better realization in the company from the point of an EBITDA margin. Our Odisha and West Bengal are very much on the national highway, plants are very much on the national highway and our Sambalpur plant has also the railway siding and are connected with the river for the perennial and the consistent supply of water to run the steel plant.

We are one of the few integrated metals producing company in India having the facilities of a captive railway siding and enjoying the accesss of the water from the river for the perennial supply to run the steel plant as we all know water plays a very vital role for the steel manufacturing and a supply and a perennial supply is very important to run the steel plant very smoothly.

In Q2 FY2022 we have exported to more than seven countries. We achieved cost efficiency by utilizing the waste management byproduct as a raw material input for our products and processes. To control the power cost, we utilize the dust, the flue gas which comes out from our product manufacturing. To control it comes from the iron making and solid discharge is utilized including the washery rejects from the boiler to reduce the coal costs in the steel making thereby reducing the cost in the power plant.

We have the lowest cost of captive power in India. Captive power plants utilize non-fossil fuels such as waste heat rejects, and gas generated from the operation of producing electricity. In FY 2021, 79% of the power consumed was captive and the cost of power was Rs.2.15 paisa. At the end of HYFY2022, I am very delighted to share that our cost in spite of the prices of the raw metal has gone up. We had reduced our power cost to Rs.2.09 paisa by increasing the efficiency of the plant and utilizing the best efficiency and the available resource. With the range of quality structured products sold SEL brand the company is in the product market post the price of the plate and is the leading steel manufacturing company. Since raw metals are manufactured from the integration from the final fines to the steel, we are able to produce high value long product structural steel at a very efficient cost and effective manner.

The company has identified key levels like digitalization, operational digitization, operational excellence program based on the principle of Kaizen 5S Lean PPM TQM to achieve its goal. We have upgraded our IP platform from SAP ECC to SAP S/4 HANA 220 which it is committed to improve the delivery of the implementation theory in order to upgrade the capability to mobility.

The company engaged in two operational excellence programs in its plants in Bengal and Orissa plant for the period of 26 to 30 weeks with BCG which is Boston Consulting Group and **Renoir** which enjoys a high excellence of the operating efficiency team to improve the further efficiency in the existing plant. The objective is to introduce the best-in-class workflow practices in our work area. The company is committed to introduce the highest level of real-time digitalization and automation by integrating the various product lines.

Now I come to the discussion on the expansion plan, and I would like to state that our existing integrated installed facility of 5.71 million tons would become 11.6 million tons and the captive power plant from the capacity of 227 megawatts will become 357 megawatts over next four years. The proposed expansion program is expected to become operational between 2022 and 2025. In addition, we are in the process of commissioning our aluminum foil plant in West Bengal with the proposed installed capacity of 0.04 MT per annum which is expected to become operational in this month itself.

The overall capital expenditure that we incur, we intend to incur is about 2960 which is 2960 Crores over the next four years. For FY2022 we intend to spend 850 Crores and all of it would be funded from the internal accruals. Till the first half FY2022 we have incurred a capex of 464 Crores that will create most of the expansion are in the form of the improvement of our existing facility and organic expansion. I am delighted to state that we are enhancing our pellet capacity from 2.4 million to 3.6 million ton and also increasing sponge iron capacity from 1.4 million to 2.9 million ton.

We are also enhancing the steel billet capacity TMT, structures from 0.8 million ton to 2 million tons. We relentlessly integrate our operation by using the existing base byproduct to introduce new higher value products, we keep investing in new infrastructure at our plant and explore opportunities to obtain the synergy from our existing manufacturing facilities. This will enable us to keep our operating cost under control which we believe is essential for reporting profitable revenue.

Before I conclude I want to assure you that we, from the management expect the strong demand to continue due to the current upcycle in the steel industry, increase contribution from recently added capacity along with the products, diversity and higher share of the value-added products to drive the operational and financial performance well into the current financial year.

To sum it up the overall space of our core business continues to be strong, most of our businesses are doing better than what we started at the beginning of the financial year and with this I conclude my portion of the speech.

Now I would request Deepak Ji, our Executive Director Finance to take us through our financial performance of the quarter under review and for the first half of the current financial year. Thank you so much.

Deepak Agarwal: Thank you Sir. A very good evening and a Happy Diwali to all the participants and thank you for joining us on the call. I will give a quick review of the reported consolidated financials for the quarter under review and for the first half.

On a consolidated basis the company for the second quarter of 2022 reported a revenue of Rs. 2,494 Crores, growth of 87% over the previous year's second quarter. We have been able to sell a higher percentage of volume sales of finished steel has enabled the company to overcome the rising input cost and modest decline to finished steel prices.

As a result, our EBITDA for second quarter of the current financial year on a consolidated basis is at Rs.624 Crores and there is a growth of 140% over the last year second quarter. Just to drive on the point an increase in the raw material cost to operating revenue by 100 BPS in quarter two of the current financial year over the quarter one of the current financial years has been mitigated by decline to other expenses to operating revenue by 110 BPS in a quarter two of the current financial year over the quarter one of the current financial year.

On a consolidated basis for quarter two of the current financial year we reported an EBITDA margin of 25%, an expansion of 550 BPS over the last year's second quarter. In terms of blended

EBITDA per ton we achieved Rs.1,7008 per ton in quarter two of the current financial year an increase of 144% over the last year of the second quarter, primarily driven by the changes to revenue mix and improvement in realization.

As a result of improved operating performance on a consolidated basis we for quarter two of the current financial year reported a net profit of Rs.410 Crore's growth of 157% over the last year of the second quarter on the top of 470% on a year-on-year basis growth achieved in the previous quarter. For the first half of the current financial year, we reported revenue of Rs. 4,959 Crores' which is growth of 121% over the last first half.

In terms of the revenue mix, the higher value add segment accounted for about 34% of the first half of the current financial year revenues as against 36% in the first half of the last financial year. For the first half of the current financial year, we reported an EBITDA of 1312 Crores, a growth of 218% over the last first half. In first half of the current financial year, we achieved an EBITDA margin of 26.4% an expansion of 810 BPS over the last year second quarter. In terms of blended EBITDA per ton we achieved Rs.18,089 per ton for the first half of the current financial year an increase of 124% over the last first half of the last financial year as we are focused on improving the product mix, improvement to realizations, operational efficiency and cost optimizations and rationalizations of efforts enabled the company to report a net profit of 868 Crore in the first half of the current financial year which is a growth of 262% over the last year of the first half.

We achieved a good improvement to our working capital days for the first half of the current financial year. Our working capital days were at 45 days as against 69 days at the end of the last financial year. Similarly, we achieved a massive improvement to our capital efficiency during the first half. Our ROCE and ROE at the end of the first half of the current financial year were 44.4% and 34.3% respectively as against the 25.3% and 23.2% respectively at the end of the last financial year.

At all point of time our gross debt to equity has remained below 0.5x as we have a clear-cut policy that our debt will never cross at any point of circumstances to the extent of less than 0.5 x. The gross debt to equity which was at 0.22x at the end of the last financial year is now drastically reduced to 0.08x at the end of the first half of the current financial year. We have turned net cash in the first half of the current financial year.

From the cash flow statement, you can make out that in the first half of the current financial year we incurred a capital expenditure of Rs.464 Crore as against 361 Crores in the last financial year. From the net cash flow, from the operating activity 1,008 Crores in the first half of the current financial year we incurred 464 Crore towards the capital expenditure and our deployment towards the investment during the first half of the current financial year was 589 Crores.

From the IPO proceeds of the company, we repaid our existing working capital debt to the tune of 467 Crores, and I am also glad to say that the financial risk profile of the company has been significantly strengthen with the reduction in the gross debt followed by the public offering in June 2021. This has led to robust debt protection metrics.

Despite our higher capital expenditure in the first half of the current financial year in comparison with the last financial year did not lead to any decline in the free cash flow to EBITDA factor. For the last financial year, we reported free cash to EBITDA factor was 41% and also similarly in the first half of the current financial year, our free cash to EBITDA was 41%.

Our net operating cash flow from our operating activity to EBITDA has been hovering around 75% to 76%. Our business model is such that we always report consistent EBITDA margins by improving the product mix; generate cash flow to fund the capacity expansion. Our strategy has always been to incur capital expenditure in smaller doses in piecemeal to ensure that the balance is never stressed.

At all point of time, we closely monitor the liquidity, solvency and capital efficiency ratio. I would like to assure you that the company sustained the healthy financial risk profile despite pursuing sizable capital expenditure plan of about Rs. 2,960 Crores over the next four years aided by internal cash generation and sufficient liquid surpluses which will ensure we take only limited debt in the event of any fund flow mismatch.

I would like to assure you the bank's limit utilization at the consolidated level is expected to be remain moderate going forward. Also, the annual cash accrual should suffice for the capital expenditure requirement and debt repayment. On the back of strong operating financial performance and with the strong net cash flow from operating activity of the company yesterday in a board meeting declared an interim dividend per share of Rs.2.25 per share amounting to an outgo of Rs.57 Crores.

Before I conclude our statement, I would also like to share and happy to share that our ratings have also been upgraded from AA- positive outlook for long-term facility from CRISIL similarly that CRISIL has also updated our short-term facility A+ positive. This is all from my side now I conclude my portion of speech and throw the floor open for the question answer and over to you.

Moderator: Thank you very much, Sir. We will now begin the question-and-answer session. The first question is from the line of Amit Dixit from Edelweiss. Please go ahead.

Amit Dixit: Good evening, everyone and congratulations for a good set of numbers and becoming net cash positive a rare feat in metals and mining space in India. So I have three questions, the first one is on your sales volume target for finished steel and ferro alloys for the year FY2022 the second question is on the highest in coal cost that we have seen for everyone so what kind of coal price escalation do we see and you can provide a blend of both imported coal and domestically source coal in Q3 vis-à-vis Q2 and the third question is essentially on the export mix you said you exported to seven countries. So, what is the proportion of export coming from revenue in H1 and what kind of proportion can we expect for the whole year. These are the three questions.

Brij Bhushan Agarwal: Amit, related to the first question, related to the coal I would like to share that as I have stated in my statement that we are not very dependent on the imported coking coal in our steel making process and we have a high flexibility of using a wash coal as we are on the pit head our plant is on the pit head and we have a captive our plants. So what generally we do we have a long-term SSA in the tune of around 45% of our coal requirement and we are very much insulated with the fluctuation majorly on the market side. We also have flexibility while we see the imported coal prices going very high, we have a flexibility of using more wash coal and making sure that we should be able to work on the decent bottomline.

Related to the imported coal and domestic coal I would say like imported coal is always we work as a sweetener and on the percentage side briefly I can share because on day today numbers are not I will not be very clear but yes briefly I can tell you like on an average around on the total coal purchase more than 80%, 85% of our coal is a domestic coal and around 10% to 15% is only an imported coal so if you see the prices in last three to four months we have seen the recurring prices of the coal which has gone absolutely crazy more than 80%, 85% or maybe 90% of the coal is within the coal price what we had projected and if you see these number what we have come out in this quarter is only because of the efficient hedging of the coal and proper planning of the raw material.

Related to the other question which is in export revenue, we are exporting to so many countries like we are exporting to America, we are exporting to South Korea, we are exporting to China, we are exporting to the European countries, and so we have a different product mix like we export long products as well to a country like Sri Lanka which is just a next door to us we export ferro alloy to Europe, America as we are in the specialty alloy and we do export the billets and all to the other neighboring countries like Nepal and also we have a different product mix as you know that we have a very distinct advantage of various products and we make sure on the realization part like the best numbers on the terms of the bottomline and the revenue what we extract over the domestic in the terms of the export.

Regarding the long product business as you had asked one of the questions I would very well say that if you see the results the output of Q2021 Viz Q2022 there will be a substantial increase in the volume in Q2022 and as we are very much enhancing our capacity on the long product and focusing more and more on B2C businesses and if you see overall revenue of the business in the terms of the total revenue around close to 35% we are able to extract from the value chain which is from the sale of really long products and structures which is a quite substantial if you compare with the last year Q2021 and with our present expansion which is going on and focusing more on B2C market as I have rightly shared my view in my last investors call that we have signed the most iconic brand Ambassador Salman Khan for our branding on the B2C space we are announcing more and more our dealers supply chain management so it is the time to come with the focus of our company with our destined locational advantage of two plants one in the Eastern India Bengal which will serve to the Northeastern, North and Eastern and the Odisha plant which is focusing in the Central Indian, Southern India and Western India. I am very sure having the cost advantage and the quality of the product where wee are so much up to the standard that we will be able to do a very decent number in the time to come. Thank you so much, Amit.

Amit Dixit: . Great. Thanks, and all the best.

Moderator: Thank you. The next question is from the line of Prashanth KP from Dolat Capital. Please proceed.

Prashanth Kota: Sir, thanks for the opportunity and I would like to understand if out of the Rs.3,000 capex that you have announced about I think 900 Crores is already spent and the rest Rs.2,000 Crores to be spent on the various projects over the next three years is what is the plan right now, but hypothetically if this cash flows are robust and our internal accruals plus the existing cash balance is sufficient is there an auctionality or is there a possibility to accelerate technically or practically is it possible to accelerate the expansion plans to conclude by let us say FY2024 mid that is in one and a half to two years from now is this such an auctionality is it a practical possibility if you could throw some light.

Brij Bhushan Agarwal: Thank you Prashant, very interesting question. I can understand your concern as an investor but I would like to share as you know that we had been very prudent on our commitment and whatever we have shared our view on the investors that we want to be sure that we should be able to deliver it before time, but I would also like to share when we are talking of this Rs. 3,000 Crores capex it comprises of multiple units like from the enhancement of the pelletization plant to the sponge iron plant, to the power plants, to the steel making, to the steel wheel, to the other speciality alloys, and the blast furnace so these are the capex what we have taken I am very delighted to share that the power plant of 40 megawatt which we were supposed to commission next year is ahead of schedule and in this quarter we are going to commission this 40 megawatt of power plant and other plants also which was scheduled to be commissioned next year some billet manufacturing facilities and some other iron making is also going to be commissioned in this quarter. So, but in these phases like different plants are there we are right now at the verge of post-COVID lot of disruption is there across the planet we all know the challenges of the imports of plant and machinery the logistic challenges and all over. So, we want to be pretty sure like what we had committed we want to abide with that and yes very much we are giving our best effort and we will not leave any stone unturned to give our best to make sure that whatever is possible we are going to do that. Thank you so much.

Prashanth Kota: Understood, Sir. Just one more question on your aluminium foil capacity that you have added by what time you think would be able to operate at a rated capacity in terms of customer orders and in terms of technical feasibility if you could please throw some light on that.

Brij Bhushan Agarwal: Yes, see this is a very, very sophisticated and very, very high-tech foil industry and since with our expertise and all we had been able to install a very decent plant and a very world-class engineering to we are on the verge of commissioning of this plan because all the trial run commissioning is already in the process and all. So, I think we have to start and maybe in next four to six months we should be able to come to a decent capacity level. I would say maybe the minimum is four months to a maximum of six months.

Prashanth Kota: Understood. That is all from my side. Thank you.

Moderator: Thank you. The next question is from the line of Chirag Mehta from Chirag A Mehta & Co. Please proceed.

Chirag Mehta: Sir, heartiest congratulations on the stellar performance quarter-on-quarter and decent cash position of the company. Sir, first my question has been answered by you which was relating to the explanation on the project.

Sir, what I was saying is that on the page #7 of the presentation there is a note which says that we are awaiting the consent to operate from the relevant authorities for the few of a projects. So, if you can make us understand what permissions or anything we are expecting from that and when we can expect the revenue to start generating from?

Brij Bhushan Agarwal: Whenever we start a plant, different authorities are there like factory inspectors are there, we should get the permission from them, and local authorities who are there, and then there is environmental governance is there, they give the consent to operate, when you give the full report to the compliance circle, so they have their own systems and because of the COVID because of their travels and all lot of issues there is a little delay but everything is under track it is under process and these authorities only clear and then after commissioning the full plant, then we get the certificate.

Chirag Mehta: So, when can we expect that on a rough estimate?

Brij Bhushan Agarwal: That will be one to one and a half months we are expecting.

Chirag Mehta: So, you mean to say that from next quarter we can expect the revenue to coming?

Brij Bhushan Agarwal: Surely, Chirag. Let us keep our fingers crossed about 99% and so the overall asset turnover we are looking. In the past projections, we have always said it prudent, but if we take it for the two quarters, it would be around Rs. 5,000 Crores earnings is there for the company and on the prudent side, if we see, then I would be very comfortable in sharing that we should be able to overcome 10000 Crores revenue this year on the company side.

Chirag Mehta: That is great Sir. That is all from my side. Thank you and all the best.

Moderator: Thank you. The next question is from the line of Sagar, Individual Investor. Please proceed.

Sagar: Thank you for giving me this opportunity. The question is regarding the appointment of a brand ambassador, so what would be the cost of that assignment and whether that cost is being put in the P&L or is that capitalized?

Brij Bhushan Agarwal: First, I need to thank you because you have given time for our time. Related to your brand ambassador there is a substantial cost and according to the financials I think the brand cost whichever is there, I think these all go under the brand expenditure it should be capitalized, Deepak what is your concern about the financials since you know it very well.

Deepak Agarwal: Yes, agreed. Whatever be the brand cost which be capitalized and come under brand and marketing.

Sagar: What would be the percentage of revenue?

Brij Bhushan Agarwal: Very small negligible. It is very less. According to the total revenue of the company it is very less.

Sagar: Sir the next question is with respect to investment, so the investments have gone up from Rs. 215 Crores to Rs. 744 Crores, so these investments are all financial investments or what is it?

Deepak Agarwal: Whatever be the investment we have made to the tune of 720 Crores in the form of arbitrage, FDs, liquid, tax saving bonds, etc. These are all financial assets.

Sagar: And Sir in terms of the property plant and equipment there has been a reduction so is that because of the divestment that you have done during the quarter is that the reason.

Deepak Agarwal: No, if you look into the last year financials our total gross block is 1,700 Crore, the reduction is because of depreciation for the six months.

Sagar: And the last question is in terms of the divestment there are some three divestments that you have done if you can share some light on that what is the consideration and what valuation to whom was, they sold I mean just to understand it.

Deepak Agarwal: Yes, we have again non-core investment up to the tune of Rs.11 Crores which we have divested in the last quarter to the tune of 18 Crores we have gained of more than Rs.7 Crores on those noncore investments.

Sagar: So, it is an insignificant amount okay, fine understood. And Sir if I can just squeeze in the last question what are the other financial aspects of 90-odd Crores?

Deepak Agarwal: It is 82 Crores know.

Sagar: Yes 82 Crores in the financial assets and then there is something else also in the other financial assets of 89.7 Crores.

Deepak Agarwal: As far as 87 Crore which includes when we talk about the 87 Crore other financial assets which includes duty drawback, export incentives and the incentive in form of whatever we have made the investments in our capital we will be getting some incentives from the state government and we are provisioning that in all books of accounts for our capex.

Moderator: Thank you. The next question is from the line of Dinesh Kotecha from KRIC. Please proceed.

Dinesh Kotecha: Good evening to everybody. Sir I have got only one or two questions. One is regarding the subsidiaries that we have. Do we have 20 subsidiaries, or we have 16 subsidiaries now? That is the first question because five are sold, one is struck off and two are acquired so I would like to know the results which are shown as consolidated are having 20 subsidiaries or 16 subsidiaries. That is my first question. Second question is out of those 12 subsidiaries I mean I would like to know how many are profitable and how many are making losses around. Thirdly we have sold because you sold the stake during the quarter in all the five subsidiaries have you sold the full stake, or the part stake has been sold.

Pankaj Harlalka: So basically, if you see the consolidation in the subsidiaries from 12 we have brought it down to seven as of now because we sold five subsidiaries and we look at the overall picture there are two important companies SMELl which is a Shyam Metalics and Energy Limited the main company is an operating company which has all the steel business similar businesses are in Shyam SEL and Power Limited which is 100 subsidiary of the company. The others were basically in Bengal if you see land and all is very difficult so when you acquire land and all you need separate companies that is why they are there as and when you get a clearance we consolidate that in the same otherwise there are no other operating subsidiaries substantially yes the aluminium foil division that we have started that is also in a subsidiary so that operations will come we have also made one acquisition so that will also be a subsidiary so if you see four operating subsidiaries is what we will have going forward.

Dinesh Kotecha: My second question is we have got three plans one in Odisha, one in Jamuria and one in Mangalpur right. Now I would like to know how old they are because what is the maintenance capex that has to be incurred in the current year.

Brij Bhushan Agarwal: Your question is not clear. Please repeat your question again?

Dinesh Kotecha: Sir my question is that we have three plants, Sambalpur, Jamuria and in Mangalpur, what is the maintenance capex for all these three plants? That is what I want to understand.

Pankaj Harlalka: See the capex in 2003 with operations starting at 2005 so from thereon we have kept on increasing the capacities there so if you look we are 17 year old that way and there is a capex which is going on in terms of technological improvements which is an ongoing process for us in our company so that goes on I think that is to the tune of exact amount I will just tell you that.

Dinesh Kotecha: What is the maintenance capex.

Pankaj Harlalka: That is around 18 Crores to 19 Crores. I just checked the figure. Last year we did about 18 to 19 Crores for maintenance of the plant.

Moderator: Thank you. The next question is from the line of Nandish from Moneycontrol Research. Please proceed.

Nandish: Thank you for the opportunity and congratulations on a good set of numbers. Sir, my first question is the internal target for FY2022 in volume terms for all the products which you sell. I know the pellet is to finish.

Deepak Agarwal: As you as per the SEBI LODR I hope we are not looking for a future number but if you look into our existing facility of about 2 million ton our sale volume is 3 million tons out of this 3 million ton on a half year of the current financial year we have already achieved the sales volume of 1.667 million ton and we will definitely achieve what we are projecting in our financials but we will definitely increasing incremental in our sales volume for the next two quarters.

Nandish: Thank you.

Moderator: Thank you. The next question is from the line of Pranay Jhaveri from JNJ Holdings. Please proceed.

Pranay Jhaveri: Thank you so much for giving this opportunity. First of all, I want to congratulate you for a great set of numbers. So, I have a couple of questions. First is what is the net cash with us as on September 30, 2021.

Deepak Agarwal: Yes, we have a net cash of more than Rs. 1,000 Crore which is around Rs. 1,008 Crore.

Pranay Jhaveri: Sir, since our promoter only gets at about 87%, 88% what is the deadline or the timeline for getting it down to 75%.

Deepak Agarwal: As per the SEBI guideline we have to dilute in the next three year so we will definitely be diluting our equity to the extent of 75% within 3 years.

Pranay Jhaveri: From the date of the issue.

Deepak Agarwal: Yes.

Pranay Jhaveri: Sir, if you can just throw some light on the margin profile or the margin picture going forward like comparing it to the first half that would be quite helpful. In terms of our RM cost going higher, some pressure on realization, if you can just give a trend line something?

Brij Bhushan Agarwal: See if you see this quarter we did an EBITDA of around 25% and the coal which is a major raw material I have already discussed like we are quietly covered with the sense of long-term linkages and we are not dependent on the imported coal neither the imported coke which has short enough from $200 to $650 iron ore prices have also gone down substantially which was very high on the first quarter there is a correction of more than 40% in the iron ore price. With this industry we have always seen the third quarter onwards the market always picks up because after the festive season the demand goes up and third and the fourth quarter always is a very, very handsome quarter for this sector. We expect that we should be able to do and maintain our numbers what we are covering right now but it is very difficult we can only expect and with our kind of a business modeling with this time product location advantage and if you see the peers also, we had been doing substantially decent on our targets and numbers. So, I think we should be able to follow the map of what we are doing.

Pranay Jhaveri: Thank you, Sir.

Moderator: Thank you. The next question is from the line of Anirudh Singhi from Dalal & Broacha. Please proceed.

Anirudh Singhi: Good evening and thank you for taking my question. My question is on our capital allocation, so we have about 2000 Crores of capex left and about 750 Crores of cash net cash so about 1200 Crores, 1300 Crores is always left to spend which given our current profitability should be less than a year's cash flow so by the time we finish our expansion in FY2025 we will be sitting on a huge cash file. So what do we intend to do with that? Are we going to increase our capex program or are we going to give our shareholders what is the intention of that?

Brij Bhushan Agarwal: See you are very correct like the numbers what we projected on the EBITDA number of around Rs. 1,800 Crores to Rs. 2,000 Crores and if you see till first half, we have already crossed more than 1300 Crores as the expansion and the future expansions we are working on this point of time, but it is too premature because we had been always very prudent on our projections and our business plan. So you know we are right now working maybe once the time comes and we are very clear with a good value additions and the new expansions with a good IRR because any project what we take we make sure that we should be able to achieve an IRR of more than 18% to 20% minimum to fall into the new capex plan and with our present expansion which is going on we would like to focus at this point of time to make sure that we should be able to cover all in and outs all corners in this expansion and then might be the time to come once our board takes a positive view and we are very sure about our next phase of expansion we will discuss on that.

Anirudh Singhi: Will we also be looking at inorganic expansion or backward integration in terms of iron ore or coal?

Brij Bhushan Agarwal: See as an opportunist we will be definitely looking but not at the cost of the any negative business if you see the iron ore auction what has really happened has not served any positive revenue to any of the steel companies which has taken the iron so once we see the prices on the mining industry is stabilized and we see that we should be able to generate some additional revenue we will definitely like to go so it is all depends on the opportunity once we see that we are going to get it we will definitely do that.

Anirudh Singhi: And my second question was if it be possible to get a segment wise EBITDA per ton so how much we make in pellets and steel and ferro.

Ravi Ramalingam: This is Ravi here. Since we have not shared such information in public domain, we would refrain from sharing this information now because it will via SEBI LODR. Thank you.

Anirudh Singhi: That is all from me. Thank you.

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

Abhijit Mitra: Thanks for taking my question and congratulations on a good set of numbers and on becoming net debt free. My question is on the capex side again, I know just the thought in future what steps can we take to sort of reduce the volatility of the operating performance because I am sure why you will not disclose the core steel EBITDA if I strip out ferro alloys and pellets it is on a downtrend. Now any thoughts or any incremental move towards businesses or lines of businesses which can sort of strip out the volatility of this business the inherent volatility I think that is the only question I have thanks and again congrats on a great set of numbers.

Brij Bhushan Agarwal: Thank you so much. See as you see we have mentioned in our all the presentations like the destine advantage of the logistic of the plant your plant is located on the mineral belt we are very much insulated from the high logistic cost from the availability of the material timely supply we are very near to the market you are very much in the product where we are insulated from the import threat we have a destined advantage of a multi product like you have seen like once we see any kind of the businesses which goes on the better side we have the flexibility of shifting and focusing more on that we are not just a HR coil manufacturer or just one long product manufacturer like it is with the various destined baskets of the product this flexibility is very much within our business model and yes it is a volatile business I totally appreciate your concern but I can just share that know the place the positioning of your plant the strategic location of the market the different businesses in the terms of export and domestic is very much mature in the terms of the hype volatile and that is all.

Abhijit Mitra: Thanks, that is all.

Moderator: Thank you. Due to time constraints this was the last question. I now hand the conference over to management for closing comments.

Ravi Ramalingam: This is Ravi here again. We are very thankful to all the participants for joining us on the call. I am Ravi on behalf of the management is signing off. If you have any questions further on the quarter two or the first half results, you can always reach out to Deepak Ji or to Pankaj and email them and they will be more than happy to give any reply. Thank you and please disconnect. Thank you.

Moderator: Thank you very much. On behalf of Shyam Metalics and Energy Limited that concludes this conference. Thank you for joining us and you may now disconnect your lines.