



6th February, 2023

IMFA Building  
Bhubaneswar -751010  
Odisha, India

Corporate Identity No.  
L27101OR1961PLCC00428

TEL +91 674 3051000  
+91 674 2580100  
FAX +91 674 2580020  
+91 674 2580145

mail@imfa.in

www.imfa.in

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

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

**Sub : Earnings Call Transcripts**

Dear Sir / Madam,

Pursuant to Regulation 46(2)(oa) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, the transcript of the audio call recording of the Company's Analyst Call held on 1<sup>st</sup> February, 2023 on the Unaudited Standalone and Consolidated Financial Results of the Company for the quarter and nine months ended 31<sup>st</sup> December, 2022 is attached herewith.

We hereby confirm that no unpublished price sensitive information was shared/ discussed in the meeting / call.

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

<http://www.imfa.in/investor-information/TranscriptQ3FY23.html>

You are requested to take the same on record.

Thanking you

Yours faithfully  
For INDIAN METALS & FERRO ALLOYS LTD

  
(PREM KHANDELWAL)  
CFO & COMPANY SECRETARY  
Membership No: F3526

Encl : As above.



“Indian Metals & Ferro Alloys Limited  
Q3 FY '23 Earnings Conference Call”  
February 01, 2023



Perfect Relations  
The Science of Image Management



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

**MODERATOR: MS. MAMTA SAMAT – PERFECT RELATIONS PRIVATE LIMITED**

**Moderator:** Ladies and gentlemen, good day, and welcome to the Q3 FY '23 Earnings Conference Call of Indian Metals and Ferro Alloys Limited. As a reminder all participant lines will be in the listen-only mode and there will be opportunity for you to ask question after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star then zero on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Ms. Mamta Samat from Perfect Relations Private Limited. Thank you, and over to you, Ms. Samat.

**Mamta Samat:** Thank you, Michelle. Good afternoon, everyone, and thank you for joining us on IMFA's Q3 FY '23 Earnings Conference Call. Today we have with us the senior management represented by Mr. Prem Khandelwal, CFO and Company Secretary; Mr. Bijayananda Mohapatra, COO; Mr. Deepak Mohanty, Head of Ferro Alloys Business Unit; Mr. Binoy Agarwalla, Head of Power Business Unit; and Mr. Sandeep Narade, Head, Mines Business Unit.

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

I would now request Mr. Prem Khandelwal for the opening remarks. Over to you, sir.

**Prem Khandelwal:** Thank you, Mamta. Good afternoon, ladies and gentlemen. Welcome to the third quarter earning con-call of the company. Results are already in the public domain, you might have seen that. This quarter results got impacted because of shortfall in the ferrochrome realization price, which has come down from INR 116,000 to INR 93,000, and sharp increase in cost also.

Cost of production has gone up from INR 65,700 to INR 79,900 in the third quarter compared to the corresponding quarter in the previous year. Production figure for the third quarter was 58,000 tons compared 61,000 tons in the corresponding quarter of previous year. Power output was almost same at 272 million units compared to 275 million units. However, chrome ore production was more in the current quarter at 134,600 tons compared to 107,900 tons in the previous quarter. Ferrochrome sales quantity was 65,773 tons in the current quarter compared to 55,400 tons in the previous quarter. And average realization price, as I have already told you, it has come down to INR 93,000 per ton compared to INR 1,16,000 per ton in the previous quarter. Cost of production has gone up very high to INR 79,902 compared to INR 67,904. With this, we can now start the Q&A session. Thank you.

**Moderator:** The first question is from the line of Bhavesh Chauhan from IDBI Capital.



- Bhavesh Chauhan:** Sir, I would like to know about your expansion plans. I think we are enhancing our capacity by 100,000 metric tons?
- Prem Khandelwal:** Yes. We are going ahead with the Kalinganagar project, wherein we are putting up two furnaces, which can produce up to 100,000 tons of ferro-chrome annually.
- Bhavesh Chauhan:** Will this be backed by captive chrome ore in the near-term or it will take time?
- Prem Khandelwal:** No, it is obviously backed by our own chrome ore. We are planning all our furnace expansion based on the further ore available from our mines. So, by the time the furnace is operational, we will have further ore available to meet the requirement of this furnace.
- Bhavesh Chauhan:** And sir, secondly, on your EBITDA per ton spreads, so I mean, what do you think should be the normalized spreads once things normalize? Because today you're facing lower sales price and higher raw-material prices. So, what should be normal EBITDA per ton, maybe INR 15,000, INR 20,000, something like that?
- Prem Khandelwal:** Our normal EBITDA should be INR 15,000 to INR 20,000 per ton. But as you know, we are into cyclical industry, so it keeps on fluctuating every quarter. Third quarter was badly impacted because of sharp fall in the ferro chrome prices, but now in the fourth quarter, again, the prices have shot up after China reopening. And right now, it is around INR 1,10,000. So, fourth quarter again should be much better compared to third quarter. So that is the characteristic of our industry, it keeps on fluctuating every quarter. But on an average, if you take long-term projects, it is maybe around INR 15,000 to INR 20,000 per ton.
- Bhavesh Chauhan:** And lastly, what is our chrome ore mining cost per ton and what is the market price of it?
- Prem Khandelwal:** Chrome ore cost, all blended together and landed at Choudwar, it is around INR 8,500 per ton as compared to market price of around INR 15,000, INR 16,000.
- Bhavesh Chauhan:** Thanks a lot, sir.
- Moderator:** The next question is from the line of Aashav Patel from Molecule Ventures.
- Aashav Patel:** Sir, my question is regarding average coking coal cost. So I wanted to know what was the average coking coal cost for Q1 and Q2?
- Prem Khandelwal:** Deepak, would you answer that?
- Deepak Mohanty:** Okay, let me answer. So, for the coking coal, as you know, the prices have gone up drastically to about \$500 and all, but have started coming down, and overall average maybe it will be \$ 450
- Prem Khandelwal:** He is asking about comparative cost Deepak, about Q1 and Q2, I think.



- Aashav Patel:** This current quarter, which is Q3.
- Prem Khandelwal:** Q3 versus Q2.
- Deepak Mohanty:** Actually, it has gone up. Based on the average price, consumption price was around INR 22,000 in Q2, which has gone up to INR 23,000. Marginally it has increased, because the low-cost inventory is over and higher-cost inventory has gone up. So, marginally it has gone up in this quarter, but it is going to come down also in the coming quarter.
- Aashav Patel:** So sir, is it fair to assume that by Q3, we have exhausted all the high-cost inventory on our books for coke?
- Deepak Mohanty:** Still something will remain, because normally we keep material for two to three months because we import coke from Colombia, China and other places. So we don't work on month-to-month basis, and it's always over a quarter/ more than a quarter because considering the less procurement from Colombia.
- Aashav Patel:** Sure. So, sir, what would be our average rate of coke on books currently? Even a ballpark figure works.
- Deepak Mohanty:** Coke must be in the range of 45,000 to 47,000, I think.
- Aashav Patel:** And sir, coming to coal equation, so roughly our annual requirement, I was going through the past con-calls and roughly our annual coal requirement is around 1 million tons. And broadly speaking, 70% of it is coming from washery rejects and 30% of it is G12 coal. So, I just wanted to understand over last couple of quarters, how have the coal prices increased?
- Prem Khandelwal:** Binoy?
- Binoy Agarwalla:** Sir, I just wanted to clarify this one. In Q2 FY '23, the average coal cost was INR 3,500. In Q3 FY '23, the average coal cost is INR 2,850, it is slightly dropping. And expecting in Q4, that will be around INR 2,700, we are just anticipating.
- Aashav Patel:** And in terms of how does it translate to the power cost, because as per the previous con-call, Q1 power plant was said to be around INR 3.6 per unit. Q2 was INR 4.38. And for Q3, how much would that converted into?
- Prem Khandelwal:** You are asking for Q4 projection?
- Aashav Patel:** No, no, sorry, Q3. I'm asking for the quarter figure.
- Bhavesh Chauhan:** But quarter Q3, the coal cost was INR 3.44.
- Aashav Patel:** Okay. Got it, sir. And sir, we understand that last two quarters, very bad because of falling realization and higher input cost prices. But given the current spreads on current prices across

realization, cooking coal and our cost structure, how do we spend right now? So given the current realizations, can we assume we are already at the average long-term margin rate of around 20% — INR 15,000 INR 20,000 EBITDA per ton?

**Prem Khandelwal:** Aashav, as far cost is concerned, I think we have seen the peak of the cost and cost is now coming down, whereas the realization has gone up in this quarter. So, this quarter, we are expecting margin again back to 20% level. And going forward, it should improve further.

**Aashav Patel:** Sure. Okay. I'll come back in the queue.

**Prem Khandelwal:** Thank you. All the best.

**Moderator:** We have the next question from the line of Dharmavenkatesan an Individual Investor.

**Dharmavenkatesan:** Good evening, sir. Sir, my question is regarding the one-time settlement we have applied for the electricity dispute that we have mentioned in the presentation, so how much cash outflow that we might be looking at, like I just want to ballpark a figure. I know it's exactly, because it's a negotiation.

**Prem Khandelwal:** Bijayananda, would you answer that?

**Bijayananda Mohapatra:** Regarding this one-time settlement of ED, we have got this one deposit in lien and escrow account around INR 100 crores, and interest on that is INR 100 crores. And we have a principal of around INR 26 crores and interest on this settlement was around INR 44 crores. So total will be around INR 270 crores, out of which, around INR 200 crores is already in the no-lien and escrow account.

**Dharmavenkatesan:** Okay, sir.

**Prem Khandelwal:** Further outflow from the company would be around INR 71 crore.

**Dharmavenkatesan:** Okay, sir. And sir, for the expansion plans like, I was reading your CLBs, so you had mentioned that if the current price levels improve or maintain at these levels, we will not be needing any long-term debt. So, in case if it's not being able to maintain that level, like how much amount of the debt, the company is like to take or whether we will delay our expansions a bit. So, I wanted have more clarity.

**Prem Khandelwal:** No, no, we cannot delay the expansion plan, expansion normally go on as scheduled. And we are not foreseeing any such danger in the near-term. So we are quite hopeful that whatever cash is going to be generated can be used for the expansion project. As of now, we have not planned any delay for the expansion project.

- Dharmavenkatesan:** Okay, sir. Sorry to dwell up on it, again. Like in case we need to raise that, what is the debt-to-equity level or what kind of debt level that we might be comfortable with, given the market situation
- Prem Khandelwal:** In case we have to raise, we will not go beyond 0.5:1.
- Dharmavenkatesan:** Debt-to-equity ratio, correct?
- Prem Khandelwal:** Yes, yes.
- Dharmavenkatesan:** Okay, sir. Thank you, sir. If anything, I'll come back again.
- Moderator:** The next question is from the line of Saket Kapoor from Kapoor & Company.
- Saket Kapoor:** I have joined a bit late, sir. If you were to summarize the quarter, sir, this was a quarter wherein we had the double whammy of lower realization and higher inventory of raw materials. This is how it should be summarized. And going ahead, for the next quarter, we are seeing the reversal of the same, that means higher realization and lower raw-material, and hence the spread improving.
- Prem Khandelwal:** Yes. You have quite clearly summarized the cyclical industry nature of our industry. So, you are spot on.
- Saket Kapoor:** Okay, sir. So, sir, taking this into account, I think so earlier, last quarter you said about POSCO issue. There were some delivery issue and support, where are we, sir, in terms of POSCO part and what were the deliverable numbers. What is in Q3 and what is the plan for Q4?.
- Prem Khandelwal:** Deepak?
- Deepak Mohanty:** Yes. Actually Q3, they were under force majeure. So, in fact their production only started towards end of November, that too a very little extent. So we had only 1,600 tons billable, So which they took, of course, whether utilized or not, they have taken in that quarter. And in fact, their production have started, the major problem then was mainly that only, so which has also started slowly. So in this quarter, they will be taking something like 15,000, 16,000 maximum in this quarter, that too in month of February and March. So, we have started supplies for that. So it will come back to normalcy from the first quarter of next financial year.
- Saket Kapoor:** And sir, in normal conditions, what is their offtake on a quarterly basis?
- Deepak Mohanty:** We roughly supply them 21,000 tons per quarter, i.e 7,000 tons per month.
- Saket Kapoor:** Okay, okay. This quarter, we are expecting it to reach to 15,000 to 16,000 tons. Yes, this quarter, i.e from January to March, it will be 15,000 to 16,000.

- Deepak Mohanty:** February and March only, they will take, yes.
- Saket Kapoor:** Correct. February and March. In January, there has been no shipment to them?
- Deepak Mohanty:** We have made shipments just now for supply in the month of February.
- Saket Kapoor:** Okay. And this number was 1,600 for the December quarter?
- Deepak Mohanty:** Because we had last month inventory there, which they've obliged to take and kept that obligation and taking the material, paid us, whether they consumed or not.
- Saket Kapoor:** Okay. Correct sir
- Moderator:** We have the next question from the line of Joe Shah from 7seas.
- Joe Shah:** Good afternoon, everyone. Bijayananda, this OTS matter is not very clear to me. As per the information given, we'd be paying INR 45 crores per the one-time settlement. And I understand that they have an interest liability of INR 100 crores, and amount of about INR 200 crores we will park in escrow account. So overall, how much will be our saving of contingent liability in terms of our principal amount as well as interest amount?
- Bijayananda Mohapatra:** This one is already deposited inside the escrow and no-lien account, and interest on that, we have incurred around that is coming around INR 200 crores, okay. Actual — it is a principal amount of INR 26 crores and interest from the this period, November '99 to '22, that is coming around INR 45 crores.
- Joe Shah:** So, our liability is INR 200 crore plus interest liabilities?
- Bijayananda Mohapatra:** No, no, no. Interest liability is not INR 200 crores, Joe. Whatever is in no-lien account, we have deposited from October 2014. So that is around INR 100 crore. So that amount will go to them. And on that INR 100 crores, we have an interest of around INR 100 crores, that amount will also go to them. As per the terms of settlement, we have to pay whatever is lying in the no-lien account along with interest. And INR 26 crore what we have not paid to them earlier, prior to this period, over that there is an interest liability of INR 45 crores. That INR 45 crores plus INR 26 crores, INR 71 crores, we have to pay further on top of whatever amount is lying in no-lien account. That is the settlement.
- Joe Shah:** Without settlement, what was our liability?
- Prem Khandelwal:** Without settlement?
- Joe Shah:** What was our liability shown as contingent liability on this issue?
- Prem Khandelwal:** No contingent liability.





- Joe Shah:** So what was the total liability, now INR 100 crore, plus INR 100 crore interest earned on No lien account. Of course, we are paying for INR 26 crores, plus INR 45 crores toward interest amount, this settlement, how much we are going to save on this settlement?
- Prem Khandelwal:** No. Where is the question of saving here?
- Joe Shah:** The settlement means, we are doing 50% settlement, liability...
- Prem Khandelwal:** No, no, no, it is not like that. We were liable for INR 0.06 only, only which we were paying to them, but they were claiming INR 0.20, which we have not acknowledged. So that 14 paisa differential we were depositing into no-lien account, which was earning interest also. As a part of settlement, that entire amount goes to them. And for the INR 26 crore or whatever, we have not paid to them earlier, on that interest is coming INR 45 crore. So that amount, we are paying on top of no-lien account. So there is no saving as such in this. I mean, we have not acknowledged anything on the books.
- Joe Shah:** So what is the total outgo on this OTS, how much we probably would be paying for escrow account as well as the cash account?
- Prem Khandelwal:** INR 271 crore.
- Joe Shah:** Totally we'd be paying INR 271 crores?
- Prem Khandelwal:** Yes.
- Joe Shah:** And afterwards, there will be no liability, it will be zero, right?
- Prem Khandelwal:** No, there will not be any liability. This is a part of settlement. As per the settlement, once we pay this money, everything will be closed.
- Joe Shah:** Very good. Congratulations. Good.
- Prem Khandelwal:** Right. Thank you.
- Moderator:** We have the next follow-up question from the line of Aashav Patel from Molecule Ventures.
- Aashav Patel:** Thank you for the opportunity, sir. I just wanted to confirm that, given that we have acquired for our chrome ore requirement, any rise in chrome ore would not affect our perception.
- Moderator:** I'm sorry to interrupt, Mr. Patel. I would request you to please use your handset to ask a question. We are not able to hear you clearly, sir.
- Aashav Patel:** Sure. I wanted to clarify, given our backward integration into or any rising chrome ore will not affect our cost structure. Is that correct understanding?

- Prem Khandelwal:** You mean any rise in the market price of chrome ore?
- Aashav Patel:** Yes
- Prem Khandelwal:** Yes, that is not going to impact us.
- Aashav Patel:** Got it. So, only impact to us in terms of variable cost would be largely coke and coal to power cost.
- Prem Khandelwal:** Yes, besides the inflation cost in chrome ore raising.
- Aashav Patel:** Sorry in chrome ore?
- Prem Khandelwal:** Inflation cost.
- Aashav Patel:** Okay, got it. And sir, I understand that regarding the settlement, the timeline is not clear, it might take one or two or couple of quarters, but just wanted to understand how much are we expecting from them?
- Prem Khandelwal:** No, the valuation process is going on, Mr. Patel. So the amount quantification has still not happened. But we are quite hopeful of getting back around INR 350 crores.
- Aashav Patel:** That was on my side. Thank you.
- Moderator:** We have the next question from the line of Saket Kapoor from Kapoor & Company.
- Saket Kapoor:** Yes, sir. In continuation, sir, so where was the tonnage which was dedicated for POSCO was sold and how have the realizations that affected, sir?
- Prem Khandelwal:** Deepak, would you answer that?
- Deepak Mohanty:** Yes. So, in fact, we had to go for the spot sales. And when you talk about spot sales, it is only China. And obviously the time when POSCO was not there, the prices were at the bottom and at the worst scenario because prices even in China started to move-up in the middle of December. After the announcement of the government taking out the COVID and other things, basically lockdowns and other things lifted, certain big stimulus measures also taken by the government.
- So with that, they started moving past in the second half in view of also lower stock levels at China. So, what we have sold that was extra at spot rates, which were also low compared to normal scenario.
- Saket Kapoor:** Okay, sir. And just...
- Prem Khandelwal:** Almost 20,000, 25,000, we sold during on spot basis during that quarter i.e last quarter.

- Saket Kapoor:** Although marked for export to POSCO, but they were sold at less export price.
- Prem Khandelwal:** No, if you're telling, POSCO 21,000, naturally around that 20,000 tons we have sold in the spot. We have not reduced any sales because of that thing, but had to be sold in the spot market which which was at lower level at that point in time.
- Saket Kapoor:** Yes sir, my point was that yes, the realizations were lower, I think the contract for POSCO did not happen. Had POSCO honoured the realizations would have been different, because of the contracted the price for the quarter was higher than what the spot prices was.
- Deepak Mohanty:** We cannot say that, because normally we decide quarterly pricing just before the quarter, after the benchmark is declared. So these are considered in the prevailing situation, and of course, on the overall YTD basis, the overall three to four quarters it averages out. So we cannot say whether at this point in time when we are supposed to finalize the price that point in time would have got a higher price than the spot our lowest, not really fair to judge that at this juncture.
- Saket Kapoor:** Correct sir. And sir, what are the benchmarks currently for the Jan to March quarter? And the difference between the December and the March?
- Deepak Mohanty:** In fact the benchmark for the Q3 i.e our Q3, which is Q4 of calendar year, it was USC 149, it has come down by \$0.31 from the previous quarter in the third quarter, which is October to December. And same has been rolled over for the January to March quarter. So if you say at that point it would have come down by \$0.31, so that's why I was telling, you should not be, because spot price is based on the spot in China. But while the long-term is always discussed based on that benchmark price, as well as the prevailing situation, even considering the China because they are the biggest player.
- Saket Kapoor:** And sir, what are the current spot prices?
- Deepak Mohanty:** It is already \$1.05, \$1.06 at the moment.
- Saket Kapoor:** Okay, sir. So whatever that gains we will have will only be on account of lower raw material prices, because other than that the pricing has remained the same for even to Jan to March quarters?
- Prem Khandelwal:** No. Now, the prices are around INR 1.10 lakhs compared to INR 93,000 average in the last quarter. There is a sharp improvement in the price also.
- Saket Kapoor:** Okay. And this we are witnessing for demands from February onward, not for January.
- Prem Khandelwal:** January onwards.
- Saket Kapoor:** From the month of January or...



- Prem Khandelwal:** From the month of January itself it has started improving.
- Deepak Mohanty:** Sir, January it started improving, and now it is at this level.
- Prem Khandelwal:** Now it is at INR 1.10 lakh.
- Deepak Mohanty:** We are expecting again to go upward in the next quarter.
- Saket Kapoor:** Right, sir. Sir, okay, sir. And in the other expense line item, sir, what should — what are the key constituent? I think the shipping charges are used to be one of the large component. So how are the shipping charges currently — I think the freight charges have come down significantly. So we will be reaping any more benefits in the coming quarters out of that, sir?
- Prem Khandelwal:** Deepak?
- Deepak Mohanty:** Yes. Actually last quarter you had seen that it has also come down compared to the previous quarter, because POSCO shipments was not there, because that's the break bulk and break bulk freight is always two, three times more than container freight. So that is why it have come down. But now, again, we are starting with POSCO, it will go up. But generally the prices have stabilized and come down to a level of it previously one year before whatever it was there, one and 1.5 years before in similar level. So we are not expecting any increase in the freight component basically. So there probably we'll gain little bit, our realization will basically go up, because of that large freight also.
- Saket Kapoor:** Correct sir. And sir, — okay, I'll join again in the queue, sir. That would be better.
- Moderator:** The next question is from the line of Shubham Agarwal with Aequitas Investments.
- Shubham Agarwal:** Yes. Thank you for the opportunity. Sir, I have just two question. So firstly, on the volume side it was less due to maintenance, so have we completed all the maintenance part? And can we expect normalization in production this quarter?
- Prem Khandelwal:** Deepak?
- Deepak Mohanty:** Yes. Let me tell you. So considering the depressed market scenario we have taken up all those things and business ahead. So accordingly, we have taken in the last quarter major thing, and this quarter also we are doing certain things, particularly, when they were price pressure. So with that, actually, our plan is to ,this quarter volume will be more or less similar to the Q3. So which is little lower than our budgeted quantity.
- Shubham Agarwal:** Okay. So INR 65,000 alone we are expecting for Q4.
- Deepak Mohanty:** No. INR 65,000 is our sales. Our production for this quarter was INR 58,000. So we are expecting INR 59,000 production in this quarter.

- Shubham Agarwal:** Okay. So that's then less for Q4.
- Deepak Mohanty:** Yes.
- Shubham Agarwal:** Okay. And secondly, on the cost side. So given what we have already told regarding the coke and coal prices, what is our expected reduction per ton for Q4 in cost?
- Prem Khandelwal:** As far as coal and coke is concerned, I think there should be some reduction, but difficult to give any number right now, because it depends on the consumption. We'll come to know...
- Shubham Agarwal:** Yes, but again average per ton, how much can we expect it to be down?
- Deepak Mohanty:** Actually, if you wanted to know about powerplant coal or on furnace coal.
- Prem Khandelwal:** Like, both he is asking. How much reduction we are expecting, Binoy.
- Binoy Agarwalla:** In Q3, the average coal cost was INR 2,850, and we are expecting INR 2,700 in Q4.
- Shubham Agarwal:** Okay. But is it possible to give per ton of cost reduction expected for next for compared to Q3?
- Prem Khandelwal:** No, that would be difficult.
- Deepak Mohanty:** No, it will be in the similar line mostly, because average coke prices still not have come down so far, so because the shipments — because for Colombian coke, that price has not come down drastically. Of course, it has come down from the previous level. But not to the extent it will make difference for this quarter. So like I told in this particular quarter, last Q3 also our coke cost in the production has gone up. So we have got the little lower cost, because we have also certain coal at very high cost. So we are consuming that along with the lower cost, but the average cost, that still not come down to a level will makes some difference at this point in time.
- Prem Khandelwal:** So Shubham, as far as coal is concerned, there will be some reduction. But coke, very difficult to predict at the moment.
- Shubham Agarwal:** Right.
- Prem Khandelwal:** Maybe it will be at the same level or little lower. But giving number would be very difficult. But in coal, definitely, yes, there will be a saving of around INR 100, INR 200per ton.
- Shubham Agarwal:** Got it. Sir, and lastly in the press release, it was mentioned that South Africa, there has been sharp increase in electricity prices. So can you give a bit of brief broadly, what is the current scenario and how it is expected to impact us?
- Prem Khandelwal:** Deepak?

**Deepak Mohanty:** Yes. Actually, South Africa, it has been already declared from the month of April power tariffs will be increased by 18.65%. Further, winter tariff will be applicable during June to August, which is additional. The power situation is critical now reaching stage 6 and 7. Considering all these factors, we are expecting further increase in Ferrochrome price in the first quarter of FY 24. Of course, everything depends on demand & supply situation. However things can change depending on the COVID situation in China.

In view of power crisis in Europe arising out of ongoing Russia -Ukraine conflict, price of Columbian coke is not coming down commensurately with Ferro Chrome prices.

**Shubham Agarwal:** Okay. Sir, and on the coke price as you mentioned that the prices from Colombia is not going down, so is it possible for us to find coke from alternative sources? Because, given my understanding is, over the last six months, there has been correction in coke prices across the globe. Obviously, there was an increase recently, but given that our cost is not coming down from Colombia. I wanted to know whether we can procure from alternate source?

**Deepak Mohanty:** No, actually considering our chrome ore, the chemical composition of chrome ore we require 0.006, 0.007 phosphorus level or 0.010 max phosphorus level in the coke. Because the phosphorus output in the Ferro Alloys comes 85% to 90% from the ore, so balance 10 to 15% we manage to have from the coke. Availability of such coke is limited in China and quality of domestically produced low phos coke with Australian coal is not consistent as per our past experience. That is why we have limited scope. Pre covid time Columbian coke price was lower than similar Chinese and domestic coke.

**Shubham Agarwal:** Got it. Sir, fair enough. Thank you for answering all my questions. And best of luck.

**Prem Khandelwal:** Thank you, Shubham.

**Moderator:** The next follow-up question is from the line of Joe Shah from 7seas.

**Joe Shah:** Deepak, regarding South African electricity scenario, I understand that 18.65% hike will be from 1 April, 2023. Apart from this high electricity charge, did availability of power brought to an issue because of stage 5 and stage 6 power situation? So there are two issues, one is availability issue, and also power cost is also issue. So that two way miss, right?

**Deepak Mohanty:** Yes. Absolutely.

**Joe Shah:** Yes. Okay, good. Now, Prem, one more issue — one more that electricity matter, electricity duty matter with you. Now government of India is giving — for other products it is giving MEIS and RODTEP to refund the duty paid on electricity, petrol diesel etc. So are we getting the refund of electricity duty on exports of ferrochrome?

**Prem Khandelwal:** No, we are not getting refund of it. We are not eligible for that, right.

**Joe Shah:** Okay. And Deepak, one more question for you.

**Deepak Mohanty:** Yes.

**Joe Shah:** Yes. For February '23 tender price — Chinese tender price...

**Deepak Mohanty:** Yes. It has gone up by RMB 450.

**Moderator:** As the participant have left the queue. Shall we move on to the next participant? Give me a moment. We move on to the next participant, and the question is from the line of Aashav Patel.

**Aashav Patel:** Sir, given that we are dependent on Columbia for our coke requirement. Sir, can we set up a coke oven to reduce the dependency from Columbia and produce our coke requirement in-house.

**Prem Khandelwal:** Deepak?

**Deepak Mohanty:** Yes. So actually, you see the coke we use, which is 10 mm to 30 mm and 10 mm to 25 mm. So this is always a byproduct. So if you're making a coke oven and it need to be viable, yours almost 75% to 80% need to be of our size which in this case need to be sold. Based on the quantity required by us, setting up Coke Oven plant is not justified.. So we have evaluated several times, but dropped the plan for having a coke oven plant as it was not economically viable in our case.

**Aashav Patel:** Sure, sir. Got it. And, sir currently as you've mentioned in past as well that long-terms we don't have any debt, but what would be our debt in short-term right now?

**Prem Khandelwal:** We don't have any long-term basis, we have repaid entire money last year. So we don't have any long-term debt, as on debt on the books.

**Aashav Patel:** And short-term?

**Prem Khandelwal:** Short-term working capital debt is there, that is around INR 360 crore.

**Aashav Patel:** INR 360 crores. So, sir, as and when we get funds from Utkal Coal, do we plan to repay the short-term debt as well or conserve for future expansion projects

**Prem Khandelwal:** Short-term debt is working capital loan, so that is going to be there.

**Aashav Patel:** Sure. Got it sir. That is for any specific purpose...

**Prem Khandelwal:** Procuring raw materials, so that is, I mean that is coterminous with the life of the company.

**Aashav Patel:** Got it sir. Sure. Thank you, sir. All the best.

- Moderator:** We have the next question from the line of Saket Kapoor from Kapoor & Company.
- Saket Kapoor:** Yes, sir. When we look at the finance cost line item, there are two components to it. First is the interest on borrowing. And then is the foreign exchange gain and loss. So for the nine months, we have a gain of INR 35.69 crore on foreign exchange and interest cost is INR 23 crore. So we had a net-net gain on the finance cost part. There is no line item has contributed rather than being a deduction.
- Prem Khandelwal:** Just a moment, let me see, you're talking about nine months period.
- Saket Kapoor:** Yes. For nine months period line item D, finance cost. When we look at the interest on borrowing, it is INR 23.06 crores. And whereas the second line, it is a gain on foreign exchange to the tune of INR 35.69 crore. So that means on a finance account as a totally finance cost, we have a credit of INR 12 crore to INR 13 crore. So there is no outgo in account of the finance cost line item.
- Prem Khandelwal:** No. I am not seeing a credit here, the INR 36 crore is also outgo.
- Saket Kapoor:** Okay, sir. Okay, so just what explains oh, yes, it is in a bracket, I'm sorry, sir, my wrong. And sir, how does this line item get affected? And the reason — is it only the short-term borrowing that we have in dollar-denominated that has resulted in this loss...
- Prem Khandelwal:** Yes. It is purely the working capital which we are taking in dollar terms, because we have dollar earning also, so it gets knock off. The gain on our sales is getting reflected in the turnover, that is not getting separately disclosed here. That's what you are seeing outflow here, but not seeing the inflow. Inflow is clubbed into sales.
- Saket Kapoor:** Correct, sir. Sir, you have the nine month EBITDA number for us?
- Prem Khandelwal:** Yes, nine months EBITDA number is there. Nine months our EBITDA just a moment, it's INR 371 crore.
- Saket Kapoor:** Nine months EBITDA is INR 371 crore. And sir, the nine months production and sales number?
- Prem Khandelwal:** Nine months production is 1,83,000 tons, and the sales is 1,90,000 tons.
- Saket Kapoor:** Okay. And sir, we will be in the vicinity of INR 2600 crore to INR 2650 crore for the year as a sale.
- Prem Khandelwal:** Yes.
- Saket Kapoor:** And sir, as we have told that the margins will be — we will be moving up the margins gain from 8% to 10% to 20%. Historically sir, leaving out these exaggeration, what should be the margin profile for us going ahead?



- Prem Khandelwal:** As I said, the EBITDA margins will be INR 15,000, INR 20,000 per ton on the long-term basis.
- Saket Kapoor:** Okay. And sir, that's an absolute number, but sir, that EBITDA margin which you spoke on 8% to 20%, on a consistent basis, this 20% is the number we should factor in over a consistent basis or this is also depending much more on the vagaries of market.
- Prem Khandelwal:** No, we can expect around 20%.
- Saket Kapoor:** 20% is a consistent number.
- Prem Khandelwal:** Yes. 20% we can expect on an average.
- Saket Kapoor:** Right, sir. And sir going ahead sir, next year also do we see any increase in production volume
- Prem Khandelwal:** No, next year also volume will be around the same level of 2,50,000 tons. Because the capacity expansion will come into picture in FY '26 only, not before that.
- Saket Kapoor:** Okay. But I think there's some work we were doing sir to just improve the tonnage I think the chrome ore tonnage because of some work that has gone into the underground mining. So when will that start coming into play?
- Prem Khandelwal:** That is coming in FY '26.
- Saket Kapoor:** Okay. And the greenfield will take much longer time.
- Prem Khandelwal:** No. FY '26, our new furnaces are coming into production, and that year also we're expecting more tonnage from our mines also. So both we have planned in a manner that whenever we get extra ore, the furnace will also become operational by that time.
- Saket Kapoor:** Okay. Right. Okay sir, thank you for all the elaborate answers sir. All the best, sir. Thank you.
- Moderator:** The next follow-up question is from the line of Joe Shah from Seven Seas.
- Joe Shah:** Well, Deepak, yesterday, this tender price for February '23 Chinese tender price RMB 450 RMB, yesterday, we were expecting about RMB 900 to RMB 1,000 price hike. So, do you think for this Q1 '23-'24, long-term tender price would be quite high because of power scenario demand in China. So it may go up to plus — above \$1.80, any idea or we cannot say now?
- Deepak Mohanty:** Very difficult to predict any price. Nobody can predict.
- Joe Shah:** Because Chinese holidays — the holidays are also very much successful there were some \$300 million, so it seems that China is getting back to normal life. So it will follow that the ferrochrome demand will also increase and plus when we compare it with South African



*Indian Metals & Ferro Alloys Limited  
February 01, 2023*

problems, South African UG2 price of \$270, price has to go up the ferrochrome price, long-term ferrochrome contract price has to go up. Okay, let us wait and see.

Now, Deepak, one more thing about today's budget, there is a very huge capital expense outlay of about INR 10,00,000 crore, will it impact stainless steel demand and ferrochrome demand in India. What is your take on this capital outlay?

**Deepak Mohanty:** If you see, the stainless steel consumption is expected to go up, and maybe things were pushed back because of the COVID and other things. Now things are moving positively and there positive sentiment for the demand to pick-up, and it has already started picking-up for which ferrochrome prices in the domestic market also has crossed INR 1 lakh per ton. So it will keep moving up. We don't see any negative sentiment in this, particularly, in India.

**Joe Shah:** Particularly in capex spending is so high, in fact, spending and capex spending budget, the demand should increase very much in the coming year, stainless steel demand. What is your idea?

**Deepak Mohanty:** It should go up. Why it should come down, because with infrastructure development in the anvil, the requirement of stainless steel will also increase.

**Joe Shah:** Right. Okay, thank you.

**Moderator:** Ladies and gentlemen, that was the last question for today. With that we conclude today's conference call. On behalf of Indian Metal and Ferro Alloys Limited, that concludes this conference. Thank you for joining us and you may now disconnect your lines.