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To,
The Manager-Listing Department,
The National Stock Exchange of India Limited,
Exchange Plaza, NSE Building, Bandra Kurla
Complex, Bandra East, Mumbai - 400 051
Fax: 022-26598237, 022-26598238

Subject: Transcript of the Earnings Conference Call of Analyst/Investor for half year ended 30th September, 2023.

Dear Sir/Madam,

Pursuant to Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations 2015, please find enclosed herewith the transcript of the earnings conference call of Analyst/ Investors for half year ended 30th September, 2023 scheduled on 06th November, 2023.

Please take the same on record.

FOR SHERA ENERGY LIMITED

Jyoti Goyal
Company Secretary & Compliance officer



“Shera Energy Limited
H1 FY '24 Results Conference Call”
November 06, 2023



**MANAGEMENT: MR. SHEIKH NASEEM – CHAIRMAN AND MANAGING
DIRECTOR – SHERA ENERGY LIMITED
MR. NARESH BANSAL – GROUP CHIEF FINANCIAL
OFFICER – SHERA ENERGY LIMITED**

MODERATOR: MS. CHANDNI CHANDE – KIRIN ADVISORS

Moderator: Ladies and gentlemen, good day and welcome to Shera Energy Limited H1-FY24 Results Conference Call hosted by Kirin Advisors. 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 star, then zero on your touch-tone phone.

Please note that this conference is being recorded. I now hand over the conference over to Ms. Chandni Chande. Please go ahead, ma'am.

Chandni Chande: Thank you. Good afternoon, everyone. Thank you for joining conference call of Shera Energy Limited.

I would like to welcome Mr. Sheikh Naseem, Chairman and Managing Director, and Mr. Naresh Bansal, Group CFO. Over to you, sir.

Sheikh Naseem: Good afternoon, everyone. It is a pleasure to invite you to our first conference call to discuss the performance in the first half of the financial year '24. As this is first interaction with you, all our listing on NSE- EMERGE platform, I take moment to brief you about the company's business and the road ahead.

Shera Energy was promoted by me and my wife, Shivani Sheikh, in the year 2009. Before that, it was a proprietorship company in the name of Shera Metals and Engineers, and I was the sole proprietor of this company, and we started our business in 2003. In 2009, the company was taken over by the private limited company, Shera Energy Private Limited, and then my wife joined the business as a Director in the company.

We are a Jaipur-based company manufacturing non-ferrous metals. The company started with making components for transformers. I started my career with transformer line, so I have got a huge experience of making transformers.

I was a designer for small rating transformers and power transformers. So, the knowledge that I had of transformers, that was utilized in making the winding wires. Seeing the huge demand for winding wires for every electrical appliances, we decided to shift our focus on manufacturing winding wires, and today, the company is manufacturing not only winding wires, but the buzz bars and the rods as well.

The buzz bars are the products that are again used in the electrical industries like switch gear and panel, all circuit breakers, MCCBs and all that, and the rods have a various application to make some components or any electrical equipments. The rods are used. These rods are machined, and then it is placed in an electrical component to transfer the current.

It works like a switching application also. It helps in – the rods are used into the switching gear, switch gears also. The product portfolio of the company includes paper-covered winding wires, enamel and fibre-covered round wires, as well as rectangular wires, the bunched wire, the tubes, rods, and strips.

So, paper insulation is where we expertise, and this is used into all kinds of our transformers and distribution transformers. These paper-covered wires and strips are normally used into low-voltage winding and high-voltage winding of all the transformers, and these wires, we do with both the metals, aluminium as well as copper. Enamel is a secondary structure that is – that has a multiple use, not only into transformers, but also into the motors.

Wherever you find an electrical motor or any mixture grinder or any home appliances where the electrical equipments have the rotatory functions, there the enamel wires are used. We expertise in making the enamel wire and the fiberglass. It's an enhanced version of the enamel wire product.

So, these have two specifications. One is the round wire and one is the rectangular wire. Rectangular wires are used into higher-capacity motors like electrical motors rating above 50 kilowatt or electrical generators having 3 megawatt of generating facility.

They use rectangular strips. Bunch wire – these are basically braided wires and used for all electrical termination and connection. These are the flexible wires. Since the strips and the wires are hard, so after winding, you need to terminate it to the main electrical part where the current is being drawn. So, these bunch wire becomes a loop and it becomes a connecting media between the winding and the external terminal.

Then we do the tubes as well. These tubes have a specific requirement for higher conducting – higher current carrying capacities. So, these are hollow conductors mainly used into induction furnaces where the currents are very high. So, in the tube inside there is a cooling arrangement and outside body is used to transfer the current.

The rods and strips I have already briefed you. These products are mainly used in all kinds of electrical control panels, motors, and transformers. We are ISO certified and have vendor approval validations from prestigious organizations that is the Power Grid Corporation of India.

We are very limited suppliers that are registered directly with PGCIL or any projects that PGCIL does for electrification. So, PGCIL buys the transformer and they specify from where the winding wires has to be secured. Fortunately, we are one of them and very limited people have this facility.

We keenly focus on business growth and therefore we have done both backward and forward integrations by investing into three subsidiary companies namely Rajputana Industries Private Limited. Now it is limited and Shera Metal Private Limited and Shera Infra Power Private Limited to add value added products in our portfolio.

These companies are into forward and backward integration meaning there are some items that we buy from these companies and we process it again to make it a completely insulated material. So, while we are doing the strip fabrication there are two ways of making the strips. One is the rolling process and one is the conform application. In rolling since it is a very old technology it needs some lubricants and removal of lubricant for enamelling purpose is very much required.

So, to eliminate that process we have used the old extrusion process that is called a conform way of making the strips. So, that helps us to make a good quality enamel strip. After making copper rods at Rajputana Industries there is a backward integration. Backward integration means whatever scraps that we produce into energy and metal are recycled back into Rajputana Industries and the company mixes it with aluminium and make different kind of metal brasses.

I take pride to inform that today Shera Energy is the only Indian company manufacturing all three metals under one roof. This is the USP of our company. We are the only one who deals in parallel with copper and copper-based alloys, aluminium and aluminium based alloys and the brass. Brass basically is the copper-based alloy but in common language it is treated as a different metal. This model enables the company to monitor and control the quality of products on the supply side and meet the customer requirement on the sale side.

Since we are backed by the technical knowledge and we are having metallurgical expertise so we do a lot of R&D to match the requirements of the customer. On the other hand, we educate the customer if they are using one kind of alloy and I have some other product that I can develop and that increases its suitability. So, we educate our customers to change their purchase process and use the new alloy that will improve their productivity, that will reduce their losses and the production time is also reduced.

This way we are in process of educating our customers to improve upon their technological requirements. Today we have four manufacturing plants, two into Shera Energy and two into subsidiary companies spread across 8 lakh square feet of area. Our total installed capacity is 35,000 metric tons and we are operating at roughly 65% to 70% of our capacity.

Our business is growing and what I call the company's strengths are decades of experience of management, management including me and the team following me. Our extensive product portfolio, established clientele and most importantly the backward integration which we did to ensure a smooth supply of raw material. This is very much mandatory for any company to make its own raw material, if we are into alloy business, if I am selling something so I should get the best quality of raw material and the best technique to make it. So, we excel and expertise in doing this.

With these four strong pillars, we are ready to ride strongly on our growth path. Our client includes marquee clients and 43% of our revenue is contributed by our top clients. That speaks to what a strong relationship we have with our clients. The demand for winding wire is robust on the back of a strong demand for transformer industries as we know our country is going from a developing stage to a developed country and I can foresee a lot of infrastructure work being coming up and any infrastructure if you speak of will need an electrical energy as a main component.

So, whenever you speak of electrical energy, the use of cables, conductors and transformers will be there. So, we expertise and we deal into transformer winding so I can foresee a very good business for the times to come. We are receiving repetitive orders from our clients that speaks of our strength. Earlier the need of working capital was the key concern. However, with

IPO funding, we are today in a position to scale up our operations. The management is confident of exceptional growth in business. This is evident with our results that we have published in this half year or so. We entered into equity market with an IPO in February '23 and raised INR35 crores. Rather it was slightly more. Our shares are listed on NSE EMERGE.

So let me talk about the financial performance for the first half of the company. So, I am pleased to announce that the revenue and profit have shown impressive growth. Our revenues increased by 13% on year-to-year basis if the comparisons are made. So, this year we did INR384 crores and as against INR339 crores in last first half of the year.

Our EBITDA augmented to 26.6% that is INR25.3 crores with a higher scale of value-added product and stringent cost control exercise that we have managed to improve our operating margin by 70 bps to 6.5 bps. Net profit bolsters are net profit has increased by 42.3% to INR6 crores. This is a good and encouraging figure and I thank all the team Shera to put their efforts and to increase our top line and doing so we are focused equally on improvement of our bottom line. So, we have been doing good.

And we are in line of doing the business in our right way and I can expect that the growth will be sustainable and will have multi-fold growth you can see in times to come. We see a strong demand for our products from transformers and electrical panel industries as we are one of the leading suppliers in these industries with a diversified product portfolio we believe that future outlook is very, very bright.

Now I thank all my shareholders for your faith in the company and for your strong support and believe in the company will do every effort to meet our investor's expectations. This you can see with our increasing EPS level, so the company is committed to deliver better and better for all our investors.

With this brief introduction, now I am happy to take the questions from all of you and I welcome you for the discussions further. Thank you.

Moderator: Thank you very much. The first question is from the line of Avinash from Money Times. Please go ahead.

Avinash: Good afternoon, sir. Thank you so much. My question is like the outcome of discussion with buyers of holding of Shera Energy Limited in Shera Infrapower Private Limited of INR8.5 crores in the subsidiary of Shera Infrapower to be invested in offshore business at Zambia. Please throw some light on it, what about the progress or like when the Zambia business is going to be started and what?

Sheikh Naseem: Okay. Since I have already intimated all my investors that company is committed for a constant growth in future and since we are adding the value-added products more into our portfolio, so the need of different kind of scraps is there. Unfortunately, in India, we have lot of scraps but the trade is not being done in a proper way.

So, dependency on the Indian scraps will not be a fruitful decision for the company. In this line, I have visited many African countries recently and I have identified Zambia as one of our

potential place for doing business since the country is very stable. The country is having a substantial land area, so the consumption of electrical equipments and the consumption of power is substantial there.

So, whenever the power consumption is there, so there is a generation of scraps. So that country is not having any recyclers over there and I met many government departments and I met the ministry of finance, I met the ministry of commerce but after having lot of discussion, we came up with a solution that the investment has to be done in Zambian local country. They are not allowing the scraps to be traded from there to India.

So, if that investment is made and some value additions is done in the Zambian land giving employment to the local people, giving revenue to the local country, they will welcome our investment. So, first level of investment that starts with \$1 million that will have a 100% holding we can have doing so. If we reduce our investment less than \$1 million, the holding has to be shared with the Zambian people.

So, to avoid any further complications, we decided to go ahead with a call of \$1 million in Zambia and this \$1 million we have applied -- approached to our bank, since the bank permission is required along with the RBI permission. So first the bank has to clear our proposal and then the permission will be granted from the RBI.

But the bank was of the opinion since this business in Indian place is also doing good. We should not disturb the business what is happening here. So, we should bring up new equity or new funds to be deployed into Zambian market. So, we had one investing company in the name of Shera Infrapower Private Limited where the company has invested only in the land and it will take some time for further investment in that company. So just a land investment is not yielding results to the company.

So, the company was of the opinion if we disinvest into this company and take our money back we will be in position to get around INR8.5 crores of rupees that is approximately 1 million USD. So, drawing back that money from this investing company or this subsidiary of Shera Energy and putting it into another subsidiary of Shera Energy in Zambia. So, where the results are going to happen very shortly.

They are welcoming us. So, I think this investment will happen by end of this quarter and then the results and output may be slightly better which will give a better results for the company and better returns to our investors in future. So that is the reason we are going for this investment into our subsidiary and taking this money to another subsidiary that will be overseas.

Avinash:

Thank you. My second question is like how is the BASCore execution vertically performing which is used in bullets for defence sector? Any projections in this vertical sir?

Sheikh Naseem:

Okay. Company has already developed the alloy making suitable to make the bullet shell. So, we have already started our supply to the people who are making the bullet shell.

So, this business we started with 2 tons or 3 tons every month. Now that business has scaled to roughly 40 tons every month. So, I expect the growth of this business will be in the tune of roughly 2 to 300 tons in coming time.

We have been successfully, we were successful in developing this special alloy, a special grain structure and refining was required and our team has done exceptional good job to do this business and that is the reason our bottom line is also increasing. We are able to add some more profit in our business but presently the volume of operation is only 50 tons. Again, if the company is operating roughly 1,000 tons a month so this is only 30 to 40 tons as of now.

But with the increase in quantity in future the returns will be much higher and better.

Avinash:

Thank you sir. Thank you so much. Sir I have one more question with your permission. Your products are mainly used in transformers, motors and electrical panels but since manufacturing winding wires and strips made of non-ferrous metals like brass, copper and aluminium, is company having any sort of plans to go in domestic fast moving electrical goods sector also like to make domestic motor or something like fans and all these electrical equipments, fast moving electrical goods?

Sheikh Naseem:

Sir actually the idea was initially hitting me to take the call on to further going forward on this as a forward integration. But it will need a lot of working capital and since the B2C is a credit market so presently our finances will not allow us to increase our credit facilities to our customers again since we have already provided credit to our B2B customers. And if we go in competition with the customers where we are already catering, this may have some minor negative impact on our business.

The company is able to get more profits and more business doing B2B. So, it is too early to say that company will plan for B2C for these products. But the idea is still lies in our mind. If we find the right time and the right time to invest, then we will definitely go with that.

Avinash:

Thank you. Thank you so much sir. One is my last question. Fourth is my last question and I will end my question with that. Sir while going through the offer document, I came to know that some companies like Precision Wire, Rajnandini Metal, Ram Ratna Wires, [inaudible 0:25:12] Cubic, Bhagyanagar India are your listed peers. And majority of them are making submersible wires and flat cables. So, is company having any sort of plan to add this vertical also? May it increase the shareholder value?

Sheikh Naseem:

One good news is there. There was a company named MG Cable in Jaipur itself and that company was under NCLT because of some defaults with the banks. The company's valuation at that time, the bank wanted to have roughly, INR14 crores, INR15 crores to set up the liabilities. And I was focused on that business but getting the land and the building was not a fruitful proposition. So, I kept waiting, let the deal to close.

After the deal was closed and somebody bought it, some non-technical guy bought it for the land and building. But that machine was not in position to use it. So, we called them and we showed our interest. Finally, they have agreed to sell all the plant machinery suitable to make submersible winding wire and house wiring cable. So that plant we have already started

dismantling and in coming months that will be installed in our new facilities and we expect a good business in three months to four months from here because cable manufacturing needs licensing from the Government of India.

It has to be BIS registered. So, BIS will take couple of months to go through our plant, our testing facilities and our setups. Then they will issue the license to make the cables for the open market. So, we are in line to make up the cables for submersible as well as house wiring cables and you will have good news very shortly.

Moderator: Thank you. The next question is from the line of Darshil from Crown Capital. Please go ahead.

Darshil: So, congratulations on a great set of results, sir. So, I just wanted to know which are new capacities that we have planned?

Sheikh Naseem: Can you please repeat your question? You are not very much clear.

Darshil: So, I was just saying that in terms of you are in a very growing industry. So, sir, I just wanted to know what kind of revenue we might see in FY '24 and FY '25? And how would our margin trajectory be as we are adding high value products? So, in the business that we are in, can we be able to do 8% EBITDA margin or PAT margin, double digit EBITDA margin and higher PAT margin? That's my first question.

And sir, what kind of capacities are we adding and what is that potential of it? Because you're talking about bullet shells and new wires. Can you just briefly explain that what kind of capex are we doing for those and what kind of peak revenue can we expect from that?

Sheikh Naseem: Okay. So, if you see our results for the -- this half of this financial year, we have grown by roughly 13% if you compare from H1 '23. And if you see the EBITDA margin from H1 '23, it was roughly 5.88. Now it has grown up to 6.58. So, there is a constant growth, not only in the top line, but also in the bottom line. And this is happening because in spite we had one challenge this year that the global prices of the metal have slightly come down by around 10% to 15%.

So, it had some impact on our stock valuation. Still, the EBITDA margins have gone up. So that shows the value-addition that we are adding to the company value-added products that is giving -- started giving impact on our business. Results are going to be good in coming years to come.

And when I see the capacity enhancement, since the company has already taken the assets for the cable manufacturing facilities, and we have unutilized capacity of roughly 30%. So, both together, will give a business of roughly 600 tons to 700 tons every month for coming year '24-'25.

So, if I use those figures, if you are intelligent enough to calculate, right now we are doing roughly 1,000 tons every month. So, if I put on increase the business by more than 300 tons to 400 tons every month, so that may give increase in our top line, bottom line by more than 30%.

So, adding these products and developing the market will take some time, but still, we are on the right track.

And our investors can see fruitful results in the times to come.

Darshil: So that's great to hear, sir. So, but the newer products will be higher margins. So, we can also see much higher because...

Sheikh Naseem: Higher value-added products in cable normally, the EBITDA goes in the range of roughly 18% to 20%. So that will substantially increase our EBITDA margin in coming year.

Darshil: That's great to hear, sir. And sir, in terms of raw material fluctuation, the metal prices, how do we get impacted from that? Are we able to pass through the cost? In case there are sudden rise in prices of our metals, can we pass it on to our customers? How would that work? Do we have some protection against it? What is our policies for that?

Sheikh Naseem: Now, I'll elaborate more on this. Since all our customers presently are basic suppliers to the government. So, the government, what they do, they don't never keep their pricing open. They have a fixed pricing pattern. Whatever material is supplied in the month of October, the price application will happen for the month, supply month of September. So, it's a standard practice all over India by all the government agencies.

So that becomes a standard buying practice by all our buyers. So whatever orders I'm supplying to them in September is bagged by the price of September. So, every month starting week close, this much quantity they will buy this month. And at the price of month average or at the spot prices, then we buy it back-to-back at the price what we have sold to all customers. So, we follow a very standard practice of managing a back-to-back show for our sales. So, this is very evident if you see the history of the company.

If you go down three years, four years back also, the trend of EBITDA and trend of PAT margins are similar. Although the market volatility has been huge, post-Corona the market shot up to \$13,000. Now it is, I'm talking about the copper prices per ton. And currently, it is in the range of \$8,000. That means there is a huge change from \$13,000. Now the prices have come down to \$8,000.

So, \$5,000 gap would have brought a huge losses in our company, but it didn't happen because we work on back-to-back theory of our purchase. Now the impact of price in the metal definitely have minor impact on our balance sheet on the closing stock valuation. That is very, very nominal because around the year you are buying the material, you are buying at a lower price, you are selling at a lower price, you are buying at a higher price, selling at a higher price.

But when you create it on an annual basis, the price is almost similar to what it had on the opening level. So, the impact of change in price on our balance sheet is also very, very nominal. It does not deviate more. So, buying practice is totally back-to-back because our customers are also supported by the government, government are their buyers. So, they also fix

their prices before their delivery. And my customer fixes their buying prices with us, which we back-to-back book with our suppliers.

So, this is the thing for B2B. Now coming down to B2C. B2C will be our cable industry. That will be our next business. So, company is already into -- have a vast experience of edging the metal prices. So, like if I am doing a production in the month of January, so my basic buying will be in the month of January and the material that will move out of the company and sold in the market will be in the month of March.

So, there will be a two-month delay in the sale and purchase period. So, what we will do, whatever we purchase, we will back to back sell it on to the exchanges available on LME. And whenever we are fixing our prices with our customers on our B2C customers, that time equally it will be bought back.

So, the company will be 100% as in the hedging system and the price difference will have no impact on our day-to-day business. We have an experience of more than 25 years in dealing into copper. I have seen volatilities, many people, those who don't know this business, they basically talk about this volatility.

But we are into this business and now it's in our blood. We know the hedging, how it has to be done, how it has to be carried out and we follow it very strongly and strictly.

Darshil:

Okay. So, thank you so much for the detailed answer that. It helps a lot. So just wanted to ask one last question so that with, so if I could summarize our plan currently, like for FY '24, the capex will maybe come by the end of the year. So that will not impact a lot of our revenue. So, the run rate in H1 could continue in H2 and FY 25 we will have our cable business as well as Zambian business.

So that would lead us to maybe 30% growth. So, after that, will we need some more capex because we will be utilizing it. So, what would be a broader three- or four-year plan that we see? Currently we are at around INR800 crores revenue run rate. So, any target to reach INR2000 crores with a INR100 crores path or something, if a long term within that, I could ask?

Sheikh Naseem:

Let me apprise to all my investors. The management of this company is very hungry for business. If you go back to the history of the company, we started with a very small setup that had only 400 square feet of shade and with only four or five people working with us.

From there in 20 years, we have grown to the scale of INR800 crores with a manpower of roughly 400 to 500 people working with us. So, we have been very, very hungry and thirsty to take the business and we are very aggressive with looking and not missing any opportunity that we can foresee in future times. So, the growth has been constant.

The growth has been very, very strong. The capex we started with the company's capex was not more than INR20,00,000, INR30,00,000. Now the capex level is more than INR100 crores. to INR150 crores. So, you can very well see the growth in the industry is as per the market demand, as per the market need, we constantly refer the international things. We constantly

study what is happening in the country in the coming years to time. Accordingly, we manage our business and accordingly we set up, we gear up to be prepared to deliver to the requirement before the requirements are raised.

This is the reason we have bought a second in plant. The cable was not our business, but I got the opportunity, I encashed it. Similarly, I will be constantly eyeing, there is one more company into NCLT. They were our competitors way back, but they have closed. So we are in position, we will be in position to buy up the assets of the old machine and enhance our existing capacity by more than 20%, 30% as of now. So, all these calls we take on time and we focus really for growth and development in the business.

Moderator: Thank you. The next question is from the line of Prakash Jaiswal from Shree Capital. Please go ahead.

Prakash Jaiswal: Hello, good afternoon, sir. Sir, my first question is, can you please give us industry-wise breakup transformer, electric appliances and other division you may have?

Sheikh Naseem: I can give you approximation, not exact. But presently for the transformers, we are doing around 65% to 70% of our business, of our products are going into transformers. Around 15% to 20% is going into electrical switchgears and panel industries. And remaining is the alloy business that we are developing for many hardware applications, cylinder valve industries, bullet shell industries, and EDM wire industry. So, this is a new business that company has started in last two years. Gradually, we are picking-up this business on a year-to-year basis. And hopefully, the ratio will change gradually every year.

Like when we didn't have this facility, the 100% was in winding wire. Now the winding wire has gone down to 65% to 70% of our total sales. So, you can see 30% other products have already taken. So, I expect in the coming time, winding wire sales will be around 50% to 60%. And remaining growth will be into other value-added products.

Prakash Jaiswal: Okay. And sir, do we have presence in export market?

Sheikh Naseem: Definitely, sir. We have an export market.

Prakash Jaiswal: Sir, how much is your contribution to our sales?

Sheikh Naseem: Last year, we finished at INR75 crores of exports against our total sales of roughly, INR700 crores. So that was around 10% of exports. This year, we have already done roughly, INR40 crores of exports. And we expect, actually, the main area where we were operating was Middle East. But unfortunately, for the last two months, there is quite disturbance in the Middle East. And I expect it to be normalized in the coming two weeks to three weeks' time. Then this business will further pick-up.

Meanwhile, we are in constant dialogue with American companies. They have requested us to visit. And they have given me an invitation. I have already awarded the visa for America. And next month, I'm planning to visit America to explore and develop the new client line there.

- Prakash Jaiswal:** Okay. Thank you, sir. All the best.
- Sheikh Naseem:** Thank you.
- Moderator:** Thank you. The next question is from the line of Vaibhav Shah from Kojin. Please go ahead.
- Vaibhav Shah:** Yes. Hi. Good afternoon, sir. And congratulations on very good set of numbers. So, a few questions related to numbers and revenue breakups and all. So, first of all, I wanted to understand, we have three alloys that we are catering. So, which will be the largest contributor to our revenue? Copper, brass, or aluminium?
- Sheikh Naseem:** Can you please repeat your question? I didn't follow it very clearly.
- Vaibhav Shah:** So, I wanted to know, what is the revenue breakup between brass, aluminium, and copper?
- Sheikh Naseem:** Okay. Revenue-wise, I will not be in position to give you figures. In terms of tonnage, I can declare you because I look into the total sales, my monitoring is more into there. So, if we are doing 1,000 tons of metal every month, that means we are doing roughly 400 tons of copper, and roughly 500 tons of aluminium, and roughly 150 tons of brass. This is a basic breakup as of now.
- But it slightly varies depending on the market demand. Sometimes the aluminium sector goes to 700 tons a month. Sometimes it comes down to 400 tons a month. But when it is coming down, the copper is picking-up. You are getting my point? There are two kinds of transformers that the normally discounts purchase. They are higher rating transformers that are called power transformers, and one is the distribution transformer. Whenever the demand of distribution transformer is high, the aluminium winding wire requirement increases. So, our outflow for aluminium increases.
- Whenever the power transformer requirement is high, our copper sales increases. In totality, the purchase of the government, it totally depends on the purchase model of the government, which transformer rating the government is buying this month, next month what they are buying. Accordingly, we prepare ourselves.
- Our production line is capable to handle both the material at a single time. So, that is the beauty of our plant. With the same extrusion lines, we can do copper. We can do aluminium. So, our technical team is capable enough. We do not need different lines to handle copper and different lines to handle aluminium.
- So, that is the beauty of our plant. We can handle both materials simultaneously.
- Vaibhav Shah:** Okay, sir. Got it. So, all put together, what will be our installed capacity on a yearly basis or a monthly basis? What would be it be?
- Sheikh Naseem:** Sir, presently, we have installed capacity of roughly 35,000 tons. That includes the solid sections, bigger sections of billets. So, against that, we are doing roughly 18,000 tons every year. We have a spare capacity, majorly of billets, that we installed to increase our business

with the Chinese and Vietnam. So, the idea is to bring down, bring the scraps from outside market at a reasonable prices, sort it out. That is a recycling business.

And then we do the billet business. We not only sell the finished product; we sell our intermediate products also. So, in that line, company is planning to take it forward. And for this reason, only we are getting into our Zambian territory, from where we will be in position to procure scraps at a very good prices. The volumetric quantity will be there. And this will help us to export our billets, that is a semi-finished product to China or maybe Vietnam.

Vaibhav Shah: Got it. So, of this 35,000 metric tons, what was the utilization level for the H1 '24?

Sheikh Naseem: It was around 65% utilization. There are many machines, 100. Some machines are utilized 90%. Some still being utilized only for 25% to 30%. So, on totality, I have given you the figures. The total utilization of our company is roughly 65% to 70%. But some machines are still underutilized. We are developing products for those machines. So, from there, we will get a very good growth in the company.

Vaibhav Shah: Got it. So, just a few questions on debt. So, as of 2023, we had a long-term borrowing of around INR41 crores and short-term borrowing of around INR71 crores. So, in the H1 FY '24, what is the position of debt currently? And what was the average cost of debt for this period?

Sheikh Naseem: This financial year, we have added working capital limit enhancement by around INR10 crores to INR15 crores. And the results of this, we will see in our next half of this year. And the repayment is going on constantly. So, the net impact of increasing debt will be not more than INR10 crores. And the working capital, this is the creditors. We need the non-fund base from the banks.

Our suppliers are Vedanta and Balco. There, the material is bought against the letter of credits. So, as we are increasing the business, we will have to secure more and more material. So, that will help us to enhance our business. Doing so, there will be minor increase in our credit line in terms of creditors.

Vaibhav Shah: Okay. So, and what is the average cost of the debt for long-term and your short-term borrowing?

Sheikh Naseem: The average cost is roughly 9% as of now for both the creditors.

Vaibhav Shah: Okay. Got it. Also, what was the working capital cycle for the H1 of FY '24?

Sheikh Naseem: Working capital cycle data, I just do not have. Give me some time to, we have to work it out. And it is on an improving trend. Since the operations are increasing, the limits are not increasing that way. So, the operating cycles definitely are increasing on day-to-day basis. So, this half also, we will work it out and we will post this information very shortly on NSE.

So, we will post the working capital cycle. You can access from there also. Hopefully, give me a day's time to work it out thoroughly and we will get the results on the site through NSE.

Vaibhav Shah: Sure. Sure. Sure. No issue. Sir, last two questions related to margin run. So, we have seen good growth in your margin at EBITDA level of around 70 bps. So, what is the ideal margin that we can maintain or is there any scope of improvement in this 6.58% or roughly 6.6%?

Sheikh Naseem: I can foresee a regular increase in EBITDA levels. EBITDA will improve looking to the products that we are adding new. We are focusing more into a more value-added product for our future business. We are not increasing our production line for the business that has low EBITDA margin. Like winding wires, the margins are nominal. Winding wire business does not carry a huge margin. So, we are concentrating to maintain the business level of those products and increase the business level where the EBITDA margins are more, where the raw material is to sell price is more than 12% to 15%. So, that will help us to increase the EBITDA. And in this line we have invested into cable products.

So, the cable line has an EBITDA of roughly 18% to 20%. So, putting all together in operations, you will see a substantial growth in EBITDA margin in the coming months from now.

Vaibhav Shah: So, can we expect anywhere near double-digit margin or it will be in the higher single-digit margin?

Sheikh Naseem: I have given you an approximation figure, but I will not confirm since this is a call that is going to be public. So, I am not authorized to give you the exact figure, but I can tell you since our production line where we have a lower EBITDA margin, those production facilities are going to remain as previous levels. But the increase into top lines will happen with our increased products with increased EBITDA margin. So, you will find a good and substantial growth into EBITDA level in next half and the times to follow from there.

Vaibhav Shah: Sure. One last question related to our Bullets related business, alloys related business. So, you are currently doing it around 40 tons per month and you just said that you are targeting 200 to 300 tons per month.

So, in terms of if you try to identify the market share, how much this demand you will be supplying if you have any rough idea? So, at the 200, 300 tons per month, what will be your market share in terms of the supplying in the Bullet industry?

Sheikh Naseem: Let me elaborate you. Bullet shell, there are two ways of making bullet shell. One is the original and years of practice the bullet shell was being made from copper sheets. So, they were cutting the sheets and folding it under the dies. So, that was the old way of making. Now, we have introduced a new way of making the bullet shell that is called fold extrusion, reverse extrusion process.

So, this is a new concept that we have introduced into the defence application. So, this product is under trials with the defence people. They started with a very small lot and gradually they are picking it up. Since the sensitivity of the bullets is very, very critical. So, government is moving on to face to face manner basis. Our product, the technology that we are using is a much upgraded and a better technology than what was being used before.

So, any change in government and into defence takes some time to happen. It is not that in my production line; I have a production to do it 200 tons straight away. But my buyer needs some time to accept that technology, perform it well, get the better feedback from this and gradually they will switch it to switch on to our product line.

The process that we do, the scrap generation is not more than 10% to 15% whether and on the contrary, when it is made from the sheets, the scrap generation is roughly 25% to 30%. So, a huge saving in metal is there. But you can understand the government has its own way of working.

Government moves everything very slow and they take a lot of time to decide and improve. I am very fortunate that they have accepted the process that we have offered them and the trials were done and gradually the business has to go up since the bullet shells that we provide is more competitive to the price that is being supplied through the old process. Finally, finance has to play the role. If the technical things are over, then we will have a greater market share as our prices of bullet shells will be much lower as compared to the prices made through the sheets.

Vaibhav Shah: Got it. So, the process that you have developed, currently any other players in India are doing the same or are we the only players?

Sheikh Naseem: We are the only one doing this way. Other people are doing the conventional way that making bullet shells out of sheets. We are the only one who have introduced the bullet shells made through reverse extrusion process.

Moderator: Thank you very much. The next question is from the line of Mohit Arora from HEM Securities. Please go ahead.

Mohit Arora: I want to ask this question. Do you have any plans for taking any short term or long-term loans for coming years to come?

Sheikh Naseem: Recently, there is no need as such. But as the business grows into Zambia, after the inception of a new company there, if requirement of increasing the working capital in Zambia may arise and if that happens, we will take support of the Zambian local banks there. We don't need any further loans for our business requirement.

Mohit Arora: Okay. And one more question from my side. Do you have any plans of supplying the copper wire to EV manufacturing as copper wire is extensively used in the electronic vehicles?

Sheikh Naseem: Sir, finally it is going there. We don't supply directly to the EV players. We supply our products to the people who are making motors and generators for EV. So, our winding wire definitely is being utilized there. It is not going directly to the people who is making the EV, but it is going to the people who are sub vendors to make EV. So indirect utilization is going on.

Mohit Arora: And one more question from my side. Do you have any plans for making capex apart from the investment in Zambia and the submersible wires segment?

- Sheikh Naseem:** In capex?
- Mohit Arora:** Yes.
- Sheikh Naseem:** For Indian business, now we are not targeting anything recently to invest into capex apart from very small investments. Like buying, I have already, I am in dialogue with a person who is dealing with the assets of iron metals. So very small capex that I will be buying from there, the machines of my use that I will buy. And that's a very small figure not to be, will not have any impact on our business needs. But apart from this, the company is not targeting anything to do on capex in this year. But for our Zambian investment, definitely the company will require around US\$1 million to US\$2 million of fresh investment into capex.
- Mohit Arora:** Thank you. And the last question from my side. Can you tell us the breakup of capacity utilization for the coming years, like FY '24 and '25? What would be the capacity utilization?
- Sheikh Naseem:** Capacity utilization may go up to 75% to 80% or next FY '24-'25.
- Moderator:** Thank you. As there are no further questions from the participants, I now hand the conference over to Ms. Chandni Chande for closing comments. Please go ahead.
- Chandni Chande:** Thank you. Thank you, everyone, for joining the conference call of Shera Energy Limited. If you have any further queries, you can write to us at research@kirinadvisors.com. Once again, thank you, everyone, for joining the conference.
- Sheikh Naseem:** I thank all the participants. And I wish I was in position to answer all your queries. Even then, if you have any doubts, we can have another conference call and I will be in position to reply to all the queries that you have. I wish you to pray for a great success journey in future for us. Thank you all.
- Moderator:** Thank you. On behalf of Kirin Advisors, that concludes this conference. Thank you for joining us. And you may now disconnect your lines.
- Sheikh Naseem:** Thank you. Thank you, guys.