



NAVA BHARAT VENTURES LIMITED

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Q2/H1 FY2009 Investors/Analysts Conference Call Transcript Wednesday, November 05, 2008 at 12.00 noon

Moderator: Good afternoon ladies and gentlemen. I am Priyanka, the moderator for this conference. Welcome to the Nava Bharat Ventures Conference Call hosted by Citigate. For the duration of the presentation, all participants' lines will be in the listen-only mode. I will be standing by for the question and answer session. I would now like to hand over to Siddharth Rangnekar of Citigate Dewe Rogerson. Thank you and over to you.

Siddharth Rangnekar: Thank you. Good afternoon and thank you for joining us on Nava Bharat Ventures Limited Q2 and H1 FY09 results conference call. We are joined today by Mr. P. Trivikrama Prasad, Executive Director and Mr. G.R.K. Prasad, Director, Finance & Corporate Affairs. I would now like to call upon Mr. P. Trivikrama Prasad to share his views with you.

P. Trivikrama Prasad: Good afternoon ladies and gentlemen. Thank you for joining us on this call to summarize the results. We reported net sales of Rs. 3,983 million in Q2FY09, up to 157% over that in the last year at Rs. 1,550 million. The net profits of Q2 were at Rs. 1,186 million as against Rs. 522 million. For the H1FY09, Nava Bharat reported net sales of Rs. 6,888 million from Rs. 3,286 million last year. The corresponding profit after tax was at Rs. 2,455 million from Rs. 1,101 million. The results in the power business in the quarter have been good.

The Company has achieved 115% growth in net power sales from Rs. 644 million to Rs. 1,382 million in the Q2FY09 on account of the additional merchant sale and higher realization. The Ferro Alloys segment has performed well with net sales of Rs. 2,859 million for Q2FY09 from Rs. 1,057 million last year. We, however, see the market flattening in demand, particularly for Ferro-Chrome. Going forward, one can expect a significant tempering down in the Ferro Alloys side of the operation, but we must also remember that over the past few months, this division returned fantastic performance.

In sugar also, you may be aware gradual increase in realization is seen, thanks to the shortages, but being an election year, I would expect the cane prices to go up which may cause some pressure on the prices, but I still expect a positive performance for the business for the full year eventually. Nava Bharat business model will revolve around power business to ensure stability and predictability of the revenues. That brings me to the end of my presentation. Both, I and GRK would be glad to take your questions. Thank you.

Moderator: Thank you very much. We will now begin the Q&A interactive session. To ask a question, please press *1 now. First in line, we have Amol Kotak from ASK Investment Managers.

Amol Kotak: Yes, good afternoon Mr. Prasad.

G. R. K. Prasad: Yes, good afternoon Amol.

Amol Kotak: I just wanted to basically run through your average realization of Ferro Alloys for the first half vis-à-vis the current prices you are getting in this situation now.

G. R. K. Prasad: Yes, the average realization for first half as Mr. Vikram has already pointed out, should not be extrapolated for the next six months. For the first six months, the average realization for Silico-Manganese is about Rs. 80,000/tonne. And for Ferro-Manganese, it is about Rs. 95,000/tonne. And for Ferro-Chrome, it is about Rs. 95,000/tonne.

Amol Kotak: Yes. And the average ore prices for the first half would be for your - Chrome ore and -Manganese ore?

G. R. K. Prasad: Average for Manganese ore is about Rs. 16,000/tonne.

Amol Kotak: And -Chrome ore is?

G. R. K. Prasad: -Chrome ore is about Rs.18,000/tonne on an average.

Amol Kotak: Yes. Now again all these prices you mentioned, could you please mention the current realization.

G. R. K. Prasad: Current realizations for -Manganese between Silico-Manganese and Ferro-Manganese is about Rs. 60,000/tonne to Rs. 65,000/tonne.

Amol Kotak: These are your realizations?

G. R. K. Prasad: Yes, these are what we obtain now.

Amol Kotak: Okay. And Ferro-Chrome?

G. R. K. Prasad: Ferro-Chrome also is about Rs.65,000/tonne. But for Ferro-Chrome, the added concern is very little off take. These are indicative rates that keep floating around.

Amol Kotak: Okay. Are these the market rates you are talking currently or is it whatever you have contracted till now?

G. R. K. Prasad: I am talking about market rates only.

Amol Kotak: And the quarterly reset prices for your ore would be how much, both - Chrome and -Manganese?

G. R. K. Prasad: We haven't got any reset for -Manganese ore. -Chrome ore, of course, has come down by about 39% from 1st of October.

Amol Kotak: So, how much would that be in absolute terms?

G. R. K. Prasad: In absolute terms, it is now around Rs.13,000/tonne.

Amol Kotak: And for -Manganese ore ?

G. R. K. Prasad: -Manganese ore, still remains at the same level.

Amol Kotak: Rs.16,000/tonne.

G. R. K. Prasad: Yes, it hasn't come down yet.

Amol Kotak: Okay. This average you are basically talking would be the strategic alliance that you have for this year from your African suppliers.

G. R. K. Prasad: These are the blend costs that I am talking about.

Amol Kotak: Now, could you just tell me the inventory position of Ferro-Chrome.

G. R. K. Prasad: Ferro-Chrome, we have about 19,000 tonnes.

Amol Kotak: But there is no off take for your Ferro-Chrome inventory currently?

G. R. K. Prasad: Currently, no.

Amol Kotak: And the inventory position in -Manganese alloy?

G. R. K. Prasad: That is about 15,000 tonnes.

Amol Kotak: Just running through, are we changing the production target for Ferroalloys with this scenario for the current year?

G. R. K. Prasad: Yes, we are definitely looking to reduce the production level considering the inventory and slower off take. We have limitations on, how much power we can export, one on having 51% consumption in a given year and second is whatever capacity that power lines can take for the export of the power. So we could say that the power sale would go up vis-à-vis the reduction in Ferro alloys production, though I can't give the exact number in terms of some percentage, maybe about 25% is what we will be operating at for the balance period.

Amol Kotak: In both your -Manganese and -Chrome plant?

G. R. K. Prasad: Yes, -Chrome will be still lower, but let's say this is the average.

Amol Kotak: For the next two quarters?

G. R. K. Prasad: Yes.

Amol Kotak: And we have gone through the press release and there is some possible written on the mines allocation, you said you have gone through some joint venture. Can you just elaborate on this, what is the status and what are you looking at?

G. R. K. Prasad: See, there are two areas we are currently focusing. One for -Manganese ore and the other for coal. For the -Manganese ore, we have identified some promising leads and we have signed, confidentiality agreement with those parties to have first right of operation for us and for coal also similar agreements are in place. In both the cases, whatever initially needs to be done, is going on like legal and technical diligence. We hope to have all these formalities complied with in the next three months' time by when the actual mine possession will take place in both the cases.

Amol Kotak: Could you just elaborate more which location you are talking of -Manganese ore and what would be the, I mean some kind of reserve indication or is it a volume contract, pricing, what are the details on all these fronts?

G. R. K. Prasad: Unfortunately, in view of the confidentiality agreement, I cannot disclose the location and all. But suffice to say that this would sort of take care of -Manganese ore requirement probably some time from next year onwards. Let us say about 50,000 to 60,000 tons of our requirement will be met out of this mine in the next one year and which will be increased to the extent of maybe about 50% of our requirement overall. The capacity of the mine should take care of at least 10 to 15 years.

Amol Kotak: Okay.

G. R. K. Prasad: That is for -Manganese.

Amol Kotak: Okay. And on the pricing front, would we reset as per the global prices, the old prices?

G. R. K. Prasad: See, we are looking at a fixed offtake arrangement, so the prices may not move. We will have a preferred pricing arrangement definitely. So, that way the company would stand to gain aside from having a confirmed source of coal/manganese ore. It would not be changing in terms of international prices.

Amol Kotak: Okay. So, basically may be by calendar year 2009, we would get this started?

G. R. K. Prasad: Yes.

Amol Kotak: Okay.

G. R. K. Prasad: That is the target.

Amol Kotak: And on the coal front, what is the situation?

G. R. K. Prasad: Coal is required more for our future power plants. We have taken up, you know, three power plants adding up to about 330 MW capacity which would be predominantly run on imported coal. That coal is now more or less secured and so the fuel availability is addressed for the power generation.

Amol Kotak: This basically you are talking of the 334 MW expansion plans which we have?

G. R. K. Prasad: Yes. For the existing power plants, we have linkages. So domestic coal and whatever other coals which we procure like coal through e-auction or washery rejects should take care.

Amol Kotak: Fine, thank you. If I have more questions, I will come back.

G. R. K. Prasad: Okay.

Amol Kotak: Thank you.

Moderator: Thank you very much. Next in line, we have Bhavin from Enam Holdings Pvt. Ltd.. Over to you.

Bhavin Chheda: Yes, good afternoon. Can you update us on production and sales volume of all your products in this quarter and first half?As it was not there in the press release.

G. R. K. Prasad: Yes. The production for Silico-Manganese in Q2FY09 is about 16,500 tonnes and sales volume is about 27,200 tonnes.

G. R. K. Prasad: Ferro-Manganese production is about 1800 tonnes and sales are 200 tonnes in Q2FY09. And for Ferro-Chrome the production is 11,000 tonnes and Sales is about 6,700 tonnes.

Bhavin Chheda: And what about the power generation and sales in million units?

G. R. K. Prasad: Power generation is about 349 million units. Out of which, 121 million units were consumed for production of Ferro Alloys. Balance 228 million units were sold.

Bhavin Chheda: And similar figures if you can give me for first half also because I don't have Q1 production and sales number.

G. R. K. Prasad: Okay. For H1FY09, Silico-Manganese production is about 39,200 tonnes and sales 40,800 tonnes.

G. R. K. Prasad: Ferro-Manganese is 1800 tonnes and 700 tonnes in H1FY09.

G. R. K. Prasad: And –Ferro Chrome production is 17,800 tonnes and sales are 14,300 tonnes in H1FY09.

Bhavin Chheda: And power generation and sales in H1FY09?

G. R. K. Prasad: For power, the total generation is 619 million units. Captive consumption is 248 million units. Outside sale is 371 million units.

Bhavin Chheda: Okay. And realization average you gave for first half, if you can give for the quarter.

G. R. K. Prasad: For Silico-Manganese, it is about Rs. 78,000/tonne.

Bhavin Chheda: Okay.

G. R. K. Prasad: And Ferro-Manganese about Rs. 97,000/tonne.

Bhavin Chheda: Rs.97,000/tonne, okay.

G. R. K. Prasad: For –Ferro Chrome, it is about Rs. 89,000/tonne.

Bhavin Chheda: Rs.89,000/tonne. And power, what will be the merchant sales you got on power, rate per unit average.

G. R. K. Prasad: You would better take the average, as you know, we have part of the power going to GRIDCO and part of the power going outside.

Bhavin Chheda: Yes.

G. R. K. Prasad: Our average realization between captive consumption and merchant sales is about Rs. 3.95 paisa.

Bhavin Chheda: Okay. But captive will be passed on at around Rs. 2 right. Captive consumption internal transfer happens at Rs. 2.

G. R. K. Prasad: That is about Rs. 2.85.

Bhavin Chheda: Okay. So, internal transfer is at Rs. 2.85.

G. R. K. Prasad: Yes, on an average, between the two units.

Bhavin Chheda: Okay. And, now what is the volume target for full year now for Ferro-Alloys.

G. R. K. Prasad: Frankly, we have not kept any target excepting that we have decided to reduce the production level.

Bhavin Chheda: Okay.

G. R. K. Prasad: So, at least in this quarter, we want to see no more production of Ferro-Chrome.

Bhavin Chheda: Okay.

G. R. K. Prasad: And -Manganese also we have reduced, we are operating currently at about 25%.

Bhavin Chheda: Okay.

G. R. K. Prasad: ...of the capacity.

Bhavin Chheda: 20% of the capacity, entire Ferro-Alloys capacity we are operating 20%.

G. R. K. Prasad: 25%.

Bhavin Chheda: Okay, this will lead to higher power sales in Q3 or it is linked that power production itself may get reduced.

G. R. K. Prasad: It will result in higher power sales.

Bhavin Chheda: It will result in higher power sales.

G. R. K. Prasad: Yes.

Bhavin Chheda: And any merchant sale agreement for power you have signed because I believe power rates in peak were 5-6 rupees. So, basically on merchant sales basis, are you able to sustain that rate of Rs. 5.5 to Rs. 6.

G. R. K. Prasad: Yes, for external sales, yes.

Bhavin Chheda: For external sales, yes, okay. And, what is the update on your 1,200 crore 330 MW project in Orissa?

G. R. K. Prasad: You are talking about 3 X 350 MW?

Bhavin Chheda: Yes.

G. R. K. Prasad: See, that project currently has a major roadblock on land acquisitions.

Bhavin Chheda: Okay.

G. R. K. Prasad: I think this might take some more time, I mean much longer time than we were earlier hoping for. So, I don't think we would have that land acquisition done in the near term. I can't put a timeframe in view of the elections round the corner.

Bhavin Chheda: And what is happening on the real estate activity, your SEZ project and all that, any update or that is also on a standstill?

G. R. K. Prasad: Nothing has changed, there is an agreement in place for development of the SEZ.

Bhavin Chheda: Okay.

G. R. K. Prasad: And they are going through the plan processes and all. The basic clearances are being obtained. Of course, the slowdown could possibly result in slight delay. As of now, we can't say how much or what is it.

Bhavin Chheda: Okay. In case of your mining for -Manganese ore and coal mines which you were talking about, how much the company intends to pay upfront and what kind of expense you foresee for developing the mines?

G. R. K. Prasad: To make the mines operational, which is spread over a period of at least a year and half.

Bhavin Chheda: Okay.

G. R. K. Prasad: ...we expect to spend something like about close to USD 75 million between coal and -Manganese.

Bhavin Chheda: 75 million dollars in one year?

G. R. K. Prasad: A year and a half let us say, 1-1/2 years.

Bhavin Chheda: Okay. Both combined -Manganese ore and coal mines.

G. R. K. Prasad: -Manganese ore will be much less, maybe about US \$ 15 million or so.

Bhavin Chheda: Okay. Major for coal mines.

G. R. K. Prasad: Yes.

Bhavin Chheda:, why are you looking at coal mines on the first front, for your power...

G. R. K. Prasad: One is, of course, definitely for power.

Bhavin Chheda: Okay.

G. R. K. Prasad: Second thing is that coal is a very valuable resource now.

Bhavin Chheda: But the coal prices are on a significant decline, so what kind of...

G. R. K. Prasad: You are talking about merchant prices. We are looking at having the coal as a resource. So, there is a difference between, you know, cost of extraction and the market prices. If the prices are lower, it is better because the mineral valuations are also coming down, so we feel this is the right time.

Bhavin Chheda: Okay. And, since as of now, except for the mines, you don't have major CAPEX in the offing, so how do you plan to intend the cash flows which are generated from this year, what is the borrowing figure as of now and cash balance?

G. R. K. Prasad: No, but we have this 330 plus MW power generation on the line.

Bhavin Chheda: Okay. This is the Orissa project right?

G. R. K. Prasad: No, no, no, these are in three different projects...

Bhavin Chheda: Yes.

G. R. K. Prasad: ...based on imported coal, predominantly.

Bhavin Chheda: Yes.

G. R. K. Prasad: We propose to take up two 135 MW units in AP and one 64 MW in Orissa.

Bhavin Chheda: Okay, okay. So, that two projects are in line.

G. R. K. Prasad: Yes, those projects are definitely....

Bhavin Chheda: This is a two 135 MW units in AP and one 64MW unit in Orissa right?

G. R. K. Prasad: That's right.

Bhavin Chheda: Okay. So, here you are spending Rs. 1,200 crore odd.

G. R. K. Prasad: About Rs. 1,300 crore nearly.

Bhavin Chheda: So, when this will get commissioned?

G. R. K. Prasad: The target is FY12.

Bhavin Chheda: FY12.

G. R. K. Prasad: Yes.

Bhavin Chheda: So, this is in line, this is in your current premises only?

G. R. K. Prasad: Yes, adjacent to the premises for which land is under control. So, basic risk is not there.

Bhavin Chheda: Okay. And you have ordered the...ordered for turbines and boilers and all that.

G. R. K. Prasad: More or less, not exactly placed order, but yes, we have finalized the configuration, the equipment identification is done.

Bhavin Chheda: Okay. And what were the borrowings and cash balance as on 30th September?

G. R. K. Prasad: Borrowing...the cash and bank balances are about Rs.130 crore.

Bhavin Chheda: Rs.130 crore.

G. R. K. Prasad: Yes.

Bhavin Chheda: Okay. And borrowing?

G. R. K. Prasad: Borrowing is about Rs. 220 crore.

Bhavin Chheda: This includes FCCB right?

G. R. K. Prasad: No, it doesn't.

Bhavin Chheda: How much is FCCB outstanding?

G. R. K. Prasad: Rs. 140 crore.

Bhavin Chheda: Rs. 140 crore.

G. R. K. Prasad: Yes.

Bhavin Chheda: Okay. So, net borrowings are around Rs. 230 crore.

G. R. K. Prasad: Yes.

Bhavin Chheda: And this FCCB money has been brought in to India or it is lying outside?

G. R. K. Prasad: It has been brought into India.

Bhavin Chheda: It is already brought in to India.

G. R. K. Prasad: Yes.

Bhavin Chheda: Okay. And, in your results, you have not provided any forex exchange rate fluctuations or MTM, so is it that you do at the yearend or what is the...

G. R. K. Prasad: No, no, it is there. It forms part of the other expenditure....

Bhavin Chheda: Okay.

G. R. K. Prasad: ...but, you know, that is only for our external commercial borrowings...

Bhavin Chheda: Okay.

G. R. K. Prasad: ...the provision is about Rs.10 crore as of 30th September.

Bhavin Chheda: Okay.

G. R. K. Prasad: But on outstanding FCCB...

Bhavin Chheda: Yes.

G. R. K. Prasad: ...we have an exposure...

Bhavin Chheda: Yes.

G. R. K. Prasad: ...but we have a fixed rate of conversion of Yen to Rupee for conversion.

Bhavin Chheda: Okay.

G. R. K. Prasad: So, actually, the Yen appreciation wouldn't impact the conversion.

Bhavin Chheda: No, could you please explain it again, your entire FCCB of Rs.140 crore is yen denominated right?

G. R. K. Prasad: That is yen denominated and we agreed with the bond holders that we would have a fixed rate of 0.3976.

Bhavin Chheda: Okay.

G. R. K. Prasad:...for yen for conversion.

Bhavin Chheda: Yes.

G. R. K. Prasad: Which was already taken care as of 31st March 2008.

Bhavin Chheda: So, you are saying till 30th, 31st Mach 08, the provisioning at the yen rate of 0.3976 has already been done.

G. R. K. Prasad: Already been done.

Bhavin Chheda: No, but after that...

G. R. K. Prasad: So, whatever appreciation that yen would have....

Bhavin Chheda: Yes.

G. R. K. Prasad: ...would have no impact on the FCCB once they are converted.

Bhavin Chheda: Okay. Even if it is entirely repaid?

G. R. K. Prasad: Once the FCCB is either converted.

Bhavin Chheda: Yes.

G. R. K. Prasad: ...no MTM would be called.

Bhavin Chheda: Okay.

Bhavin Chheda: Okay. So, basically you are not impacted by any exchange rate fluctuation?

G. R. K. Prasad: To the extent of ECB outstanding.

Bhavin Chheda: Okay. But in borrowings figure, you just have Rs.10 crore ECB.

G. R. K. Prasad: For our external commercial borrowing, we have provided MTM of Rs.10 crore.

Bhavin Chheda: Okay. Apart from that, in the business, I think only 25% is exported right, your overall turnover.

G. R. K. Prasad: Exports are about 50% – 60% in Ferro Alloys.

Bhavin Chheda: And that you normally keep it open?

G. R. K. Prasad: Yes, we do.

B Bhavin Chheda: Okay, okay. Thanks a lot.

G. R. K. Prasad: Thank you.

Moderator: Thank you very much. Next in line, we have Sachin Kasera from (PINC Research) Infinity.com Financial Securities Ltd. Over to you.

Sachin Kasera: Yes, good afternoon.

G. R. K. Prasad: Yes.

Sachin Kasera: Just wanted to understand for this incremental power that we are now planning to sell in the second half, is it all going to be merchant or you have signed some short-term PPAs for that?

G. R. K. Prasad: Yes, it is through short term open access only.

Sachin Kasera: Okay.

G. R. K. Prasad: That methodology is not different excepting that the quantum goes up from whatever we were selling by about 20%.

Sachin Kasera: And what is the type of indicative rates that we could look for merchant power in the second half ?

P.Trivikrama Prasad: About Rs.6 plus.

Sachin Kasera: 6 plus. What would be the same in the first half, merchant power realization?

G. R. K. Prasad: Around Rs.5 per unit.

Sachin Kasera: So, you expect a 20% increase in second half ?

G. R. K. Prasad: Yes.

Sachin Kasera: Okay. And secondly, once you get these ore mines, can we see in FY09 improvement in capacity utilization because you mentioned because of the softening in the prices currently you are only operating at 20%, but once your mines become operational, even at the current ore prices or maybe including some decline from here, would we still be able to operate at higher levels?

G. R. K. Prasad: Well, see, basic issue before us would be to see which gives us the better contribution, whether, you know, production of Ferro Alloys or sale of power.

Sachin Kasera: Right.

G. R. K. Prasad: So, that will be the determining factor.

Sachin Kasera: No, but right now the same may not be feasible because we don't have our captive ore mines, now that we are investing in that....

G. R. K. Prasad: Well, you are talking about captive ore for -Manganese right.

Sachin Kasera: Yes, Yes, Yes.

G. R. K. Prasad: No, no, even with ore also, we have to be careful, you know, we can't, you know, consume the ore for the sake of consumption and where an alternative opportunity is available for sale of power. We would look at both the operations and then decide and another factor which we need to remember is on a unit specific basis, we have to consume about 51% on an annualized base. That also we will keep in mind.

Sachin Kasera: Okay. And, what approximately would have been the PLF for this quarter across the power plants?

G. R. K. Prasad: Close to about 90%.

P. Trivikrama Prasad: 87% to 90%.

G. R. K. Prasad: About 87%.

Sachin Kasera: And we expect to sustain that in the second half>?

G. R. K. Prasad: Yes, we do expect.

Sachin Kasera: Secondly, you mentioned the cash in the balance sheet as around Rs. 200 crore, if I get it right.

G. R. K. Prasad: Rs.130 crore.

Sachin Kasera: Has it come down because if we look at the consolidated balance sheet for FY08, the figure was slightly higher.

G. R. K. Prasad: We have been implementing projects.

Sachin Kasera: Okay. Because...

G. R. K. Prasad: Part of the cash was implemented for ongoing projects.

Sachin Kasera: FY08 balance sheet mentions a figure of around Rs. 265 crore as on March 08, the consolidated balance sheet I am referring to.

Sachin Kasera: Okay. So, what would have been the CAPEX in the first six months approximately?

G. R. K. Prasad: Partly CAPEX and partly, you know, we have had some inventory buildup.

Sachin Kasera: Okay. And what would be the CAPEX for this, the three plants that you mentioned, the new 350 MW that you are planning to put up, three plants totaling to 350 MW, what could be the CAPEX towards them, means in this second half of FY09 and FY10.

G. R. K. Prasad: This year, very little, but in FY10 we may have about 20% by way of advances and all.

Sachin Kasera: Sorry.

G. R. K. Prasad: About 20% of the capital outlay will get spent.

Sachin Kasera: Okay. And when do you look in terms of achieving the financial closure for these projects.

G. R. K. Prasad: Hopefully between December, 2008 to March, 2009.

Sachin Kasera: By December end, we should be reaching it. And will we need to raise further equity for funding this or the current cash flows and cash should fund them sufficiently?

G. R. K. Prasad: No, no further equity is required, internal generations should be adequate.

Sachin Kasera: Okay. Thanks a lot. And, one more question regarding the dividend payout ratio, considering the cash in balance sheet and the improved performance in the current year, are you looking at a significant improvement in the dividend payout ratio this year?

G. R. K. Prasad: We are only half way through, I think you need to wait.

Sachin Kasera: No, anyway you said no because the power performance is going to be much, much better.

P. Trivikrama Prasad: Yes, if things are good, definitely if we are able to....

G. R. K. Prasad: Company has always been considering a higher payout depending on the circumstances.

P. Trivikrama Prasad: If the power situation is going to be good and if the going in Ferro Alloys is not difficult, we will definitely consider.

Sachin Kasera: But do you see any scenario wherein the slowdown in the economy could have an impact on the realization in the merchant power because see PPAs are normally being signed at 2 rupees to 3 rupees whereas the merchant we are selling at 6 rupees. Is there some possibility that 6 rupees can say come down to 3.5 rupees to 4 rupees, there is some slowdown in the economy as a lot of people are predicting.

P. Trivikrama Prasad: Not before March, not before March, Yes definitely, I think because most of the plants which are supposed to come, the big plants, nothing is going to come right away, things are very, very bad in this...I don't know if you read in the newspapers, most of them are suffering from lack of funding and as far as power demand goes, I think the downturn in economy I think because state government and everybody is running short of power, so I mean they are even looking at small figures of 25 to 30 MWs whoever is able to give, they will be able to take, and I think till June I don't see any reasons for prices to come down, June of 2009.

Sachin Kasera: Okay. And, considering the good performance and the extremely cheap valuations, could we even look at option of a buyback, do you think the board may look at it?

P. Trivikrama Prasad: At these prices?

Sachin Kasera: Yes.

P. Trivikrama Prasad: I mean, these are times when you would like to retain your cash positions, you know, to implement the projects than trying to buy back shares. As it is, you know, our equity is quite low, it is hardly Rs.15 crore.

Sachin Kasera: No, because I think the current levels are very, very attractive and you mentioned the outlook for power is to remain good and I think the promoters have been buying also from the market, so that probably is an indication that shares are very attractively valued, so, you know, considering the healthy cash, I just wanted to find if...

P. Trivikrama Prasad: Yes, Yes, promoters definitely are picking up the shares because we find that the prices are very, very attractive as, you know, the figures after our results have been published, the prices have come down, I don't think too many people have published our kind of results and even the next quarter, I think if things go well, even the Ferro Allows performance is not up to the mark, I think things are going to be quite good with this company as far as power sales go, and I think that will sustain us continuing to perform as we are. See, the prices of...if you see our share price, I mean it has been very disappointing for us, but....

Sachin Kasera: Because I think the....

P. Trivikrama Prasad:general, that is the general thing you are looking at. I think everyone associated with the steel industry are...

Sachin Kasera: Yes, I think the market is extremely concerned regarding the profits for the Ferro Alloy division in the second half and in FY10.

P. Trivikrama Prasad: Yes, definitely it may take an effect, that I am not denying, but I think the power sales will compensate that. That is what I feel. I mean, I feel like that. Unless things are going to deteriorate so much, but I think things are going to look better, I think overall with the elections in US and Europe, there is going to be some positive look from here onwards. I think we have to be positive. I have a good feeling. Otherwise, things are going to be still worse, and that is the way I look at it.

Sachin Kasera: And, these power projects, how confident you are in terms of meeting the timelines regarding implementation, you think you will be able to do a fast execution considering that now overall economy is slowing down, so maybe contractors would also probably have more, you can say resources available to complete it fast. Any timeline that you would look at in terms of completing.

P. Trivikrama Prasad: Let me put it like this. I think three months down the line, the prices of all equipments, major equipments are going to come down.

Sachin Kasera: Okay.

P. Trivikrama Prasad: That is going to be a thing that we would like to take advantage of, you know, because things are going to look different and prices are going to come down. Steel prices are going to come down significantly and I think even equipment prices say electrical equipment will come down, because even the raw material prices have reduced, copper, aluminium, zinc. All these prices have been going down significantly, so you can expect a significant fall, but somehow there is some kind of a resistance. We look at our own Ferro Alloys, what we sold at Rs. 85,000/tonne to Rs. 90,000/tonne, today we are starting to sell it Rs. 60,000/tonne. So, we find that it is a little uncomfortable, but you will be in a situation that you have to sell it, you know, I mean that is the situation that is going to come up and that is way we look at it.

Sachin Kasera: And one question regarding the sugar business, now that has become a very small proportion of the entire company and even if you look at it as a standalone business in terms of size, considering the type of scale-up that has happened across the industry, you know, minimum...people who are even mid size are having capacities of 6,000 or 7,000 TCD, do you think at some point of time if you get a good price, you would like at structuring that business?

P. Trivikrama Prasad: Yes, today, we look sugar as more of a byproduct, you know, because our interest is more on the cogeneration power that we have there, you know, because, you know, I think there is going to be a lot of demand on this carbon credit and green energy and things like that. At some point, for all the coal that we are burning, they may say that you may have to at least have 5% or 10% of your energy from cogeneration or something like that. Today, I look at that more on those lines than as a sugar factor. I mean, we are looking at those lines, you know.

Sachin Kasera: But what is the progress on the 20 MW cogen plant to be set up, is it going to get commissioned?

P. Trivikrama Prasad: Yes, we are commissioning it in December. It is actually due in November, but I think it should be done by December.

Sachin Kasera: And could we look at further increasing it since you mentioned our focus is mainly on green power.

P. Trivikrama Prasad: Yes, but there what happens is, you know, I mean we will be having the bagasse and not like the other power plants where right away you would be seeing something, but this one will be performing, in the long run it is going to be good for us, you know, because it is a combination of green and coal, you know. We will be

using coal for this particular power plant generation because you have bagasse only for the six months of the year. You wouldn't have for the whole year.

Sachin Kasera: So, that is basically multi-fuel boiler.

P. Trivikrama Prasad: Yes, multi-fuel boiler, that is what this is going to be.

Sachin Kasera: Okay. Thank you very much.

Moderator: Thank you very much. Next in line, we have Ruchit Mehta from HSBC Asset Management. Over to you.

Ruchit Mehta: Yes, hi, good afternoon. Congratulations on the results. I actually joined in a little late, so my apologies if this is a bit of a repetition. Just on the power front, could we get a sense on what is the realization on third party sales this quarter? Hello...

G. R. K. Prasad: Hello...

Ruchit Mehta: Yes, can you hear me?

G. R. K. Prasad: Yes.

Ruchit Mehta: I was just saying that I joined in quite late, so apology for any repetition, but for the power business, what was the third party sales realization net?

G. R. K. Prasad: Third party realization is about Rs. 4.50.

Ruchit Mehta: Okay. Do you anticipate these prices sustainable going forward or...

G. R. K. Prasad: Yes, we have contracts for the next I would say next four months. So, those are definitely going to be sustained, not at this level, but a little higher than that.

Ruchit Mehta: Okay. And in terms of the coal cost also, what is the current, you know, cost per unit.

G. R. K. Prasad: Cost of coal?

Ruchit Mehta: Yes. Coal, coal.

G. R. K. Prasad: Our average COAL cost is about Rs.1.30 per unit.

Ruchit Mehta: Okay. This is purely the coal cost?

G. R. K. Prasad: That is for the coal cost.

Ruchit Mehta: Okay. And in terms of the Ferro Alloys business, you know, initially you are looking at doing somewhere around 110,000 to 120,000 metric tons in 09, what would be the say the revised outlook now for 09 in terms of total volumes?

G. R. K. Prasad: We can't put a number to that, but I think from hereafter the production will be at about 25% of our capacity.

Ruchit Mehta: Okay.

G. R. K. Prasad: So, accordingly, the production levels will come down.

Ruchit Mehta: Okay, okay. So, effectively, I mean you will do about 25% of the H1 production itself.

G. R. K. Prasad: Effectively yes.

Ruchit Mehta: But in terms of sales volumes, how much do you anticipate the full year sales volume to be because you are carrying quite a bit of inventory as well.

G. R. K. Prasad: Unfortunately, I can't again give a number there because of the very low offtakes of Ferro-Chrome.

Ruchit Mehta: Okay.

G. R. K. Prasad: off take is slow in finished stocks.

Ruchit Mehta: Sure, sure.

G. R. K. Prasad: So, that is where we are.

Ruchit Mehta: Okay, okay. And in terms of the power side of the business, you know, any update on that 1,050 MW power project?

G. R. K. Prasad: That project is presently facing a roadblock on land acquisition.

Ruchit Mehta: Okay.

G. R. K. Prasad: So, we cannot give a timeline now for that.

Ruchit Mehta: Okay. But in terms of getting the financial closure, obviously it is delayed.

G. R. K. Prasad: Yes, that is delayed obviously because of the land acquisition.

Ruchit Mehta: Okay, okay, okay. And in terms of the metro project that you are in association with Maytas, what is our share of the project and what is the economic value of that project? Hello...

G. R. K. Prasad: Sorry.

Ruchit Mehta: In terms of the Maytas, you know, consortium project, you know, the Hyderabad Metro, what is our share of the project, you know, in terms of the economic interest?

G. R. K. Prasad: It will be a minority interest.

Ruchit Mehta: Okay.

G. R. K. Prasad: Second thing is that we are not, you know, committing to put any money in the near future, though we hold a minority interest there.

Ruchit Mehta: Okay. But could you reveal what is the stake of your holdings?

G. R. K. Prasad: Sorry.

Ruchit Mehta: What is your exact stake in the project?

G. R. K. Prasad: Stake holding is about 16%.

Ruchit Mehta: 15%.

G. R. K. Prasad: 16%.

Ruchit Mehta: 16%, okay, okay. And just in terms of the balance sheet, what will be the total gross debt and the net cash and the cash balance?

G. R. K. Prasad: Gross debt is about Rs. 220 crore excluding FCCBs. We have a cash balance of Rs. 130 crore.

Ruchit Mehta: So, net debt is only Rs. 100 crore?

G. R. K. Prasad: Rs. 130 crore of cash and bank balances.

Ruchit Mehta: Rs.130 crore, okay. Thank you so much.

G. R. K. Prasad: Okay.

Moderator: Thank you very much. Next in line, we have Shirish Kumar Reddy from PCS Securities. Over to you.

Shirish Kumar Reddy: Congratulations.

G. R. K. Prasad: Thank you.

Shirish Kumar Reddy:, just a small question, about the, you said that, you know, production Q3 FY09 with regards to the Ferro Alloys.

G. R. K. Prasad: Production will come down and we hope to do about 25% of the production as in H1.

Shirish Kumar Reddy: For the next half you mean to say?

G. R. K. Prasad: Yes.

Shirish Kumar Reddy: The entire half 25% of the first half FY09?

G. R. K. Prasad: Correct.

Shirish Kumar Reddy: Ferro-Chrome, that is...

G. R. K. Prasad: No, no, overall. Ferro-Chrome might be much less still, overall.

Shirish Kumar Reddy: Okay, completely it will be stopped?

G. R. K. Prasad: Yes.

Shirish Kumar Reddy: Okay, so the remaining power would be sold for merchant right?

G. R. K. Prasad: Correct.

Shirish Kumar Reddy: Okay. So, again, the merchant prices again would be around 6 rupees per unit for the next half?

G. R. K. Prasad: Yes

Shirish Kumar Reddy: Next half of the year, it will be...okay. And, with regards to the capital employed, Ferro Alloys capital employed has increased from Rs. 503.82 crore in Q1 FY09 to Rs. 578.73 crore.

G. R. K. Prasad: On account of the inventory.

Shirish Kumar Reddy: Okay, okay, that is the inventory valuation.

G. R. K. Prasad: Yes.

Shirish Kumar Reddy: Okay. Yes, that's it from my side. Thank you.

G. R. K. Prasad: Thank you.

Moderator: Thank you very much. Next in line, we have Shyam Sunder from CIL Securities. Over to you.

Shyam Sunder: Yes, thank you. Good afternoon Mr. Prasad.

G. R. K. Prasad: Good afternoon Shyam Sunder.

Shyam Sunder: Yes. I was just going through, I mean the future story would be obviously driven by the power...

G. R. K. Prasad: Yes.

Shyam Sunder: ...power sector, but this quarter, the segment revenues I was just looking at and the profits, unlike in the last couple of quarters, the operating profit margins in power sector seem to have come down to something like 45% as against what was 60% in the last two quarters. Could you...

G. R. K. Prasad: For Power Q2 is lean season, this quarter has always been a lean season for power.

Shyam Sunder: Okay.

G. R. K. Prasad: One is, you know, because of the rains.

Shyam Sunder: Okay.

G. R. K. Prasad: Rates are generally lower. So, the margins are relatively lower in Q2 generally.

Shyam Sunder: Q2, okay.

G. R. K. Prasad: This year, we, in anticipation of the low prices and lower offtake entered into contracts much earlier.

Shyam Sunder: Yes.

G. R. K. Prasad: So, in a way whatever higher rates were there during the quarter....

Shyam Sunder: Okay.

G. R. K. Prasad: ...on account of sporadic rains and all, we couldn't capture that...

Shyam Sunder: Okay.

G. R. K. Prasad: ...but this is the general behavior in the quarter 2 for power.

Shyam Sunder: So, you mean it is largely monsoon factor which...

G. R. K. Prasad: It is a monsoon factor.

Shyam Sunder: Okay. You expect it to come back to 60% levels in the next quarters?

G. R. K. Prasad: Yes, yes.

Shyam Sunder: Okay. And in view of that increasing, I mean you are even expecting a little bit of firming up of these merchant sale prices...

G. R. K. Prasad: Yes.

Shyam Sunder: ...so is there a chance to increase the operating margins to go further, to say 65ish levels or what would you be comfortable overall with?

G. R. K. Prasad: I think 60% is definitely possible.

Shyam Sunder: Okay.

G. R. K. Prasad: I mean it may be higher than that, but 60% is definitely what we will have.

Shyam Sunder: Shall we say on the whole for the year, for the financial year, the operating margins will be 60%?

G. R. K. Prasad: On power?

Shyam Sunder: Yes, on power sector.

G. R. K. Prasad: Merchant sales, yes.

Shyam Sunder: Okay. No, the overall operating margins, can you...I mean this quarter being a blip and once you come back to 60ish levels, so for the full year, will we be something like 55% at least?

G. R. K. Prasad: Yes, about 55%, yes.

Shyam Sunder: Okay. And going forward, you expect them to sustain?

G. R. K. Prasad: Yes.

Shyam Sunder: Okay. That was my point. Thank you.

P. Trivikrama Prasad: Thank you Shyam Sunder.

G. R. K. Prasad: Thank you.

Shyam Sunder: Good day.

Moderator: Thank you very much. Next in line, we have Brazil Gonsalves from K.R. Choksey Shares & Securities. Over to you.

Brazil Gonsalves: Hello.

G. R. K. Prasad: Hello Gonsalves.

Brazil Gonsalves: Hello, congratulations for your great numbers.

G. R. K. Prasad: Thank you.

P. Trivikrama Prasad: Thank you.

Brazil Gonsalves:, actually because of unclear line, I was not able to clarify some of my questions, so can I have the production and sales figures of Q2 FY09 with average realization.

G. R. K. Prasad: Yes. Production of Silico-Manganese....

Brazil Gonsalves: Okay.

G. R. K. Prasad: ...is 16,500 tonnes.

G. R. K. Prasad: Sales are 27,200 tonnes.

G. R. K. Prasad: Ferro-Manganese production is 1800 tonnes and sales is about 200 tonnes.

Brazil Gonsalves: Okay, okay.

G. R. K. Prasad: And -Chrome, the production is 11,000 tonnes. Sales is 6,700 tonnes.

Brazil Gonsalves: 11,000 tonnes and sales is 6,700 tones.

G. R. K. Prasad: Right.

Brazil Gonsalves: And what is the average realization ?

G. R. K. Prasad: Silico-Manganese, we made about Rs.78,000/tonnes.

G. R. K. Prasad: Ferro -Manganese about Rs. 97,000/tonne.

G. R. K. Prasad: And -Chrome Rs. 89,000/tonne.

Brazil Gonsalves: Rs.89,000/tonne.

G. R. K. Prasad: Yes.

Brazil Gonsalves: Okay. And another thing is regarding coal for your power plants, how much about of total coal has been used in this quarter?

G. R. K. Prasad: In terms of...

Brazil Gonsalves: In terms of tons.

G. R. K. Prasad: Total tons?

Brazil Gonsalves: Tons, Yes, how much tons of coal had been procured?

G. R. K. Prasad: One sec....the total tonnage of coal is roughly about 3 lakh and odd.

Brazil Gonsalves: 3 lakh, okay.

G. R. K. Prasad: One second...one second...373,000.

Brazil Gonsalves: 3 lakh tons.

G. R. K. Prasad: About 3.9 lakhs including washery rejects.

Brazil Gonsalves: Sorry.

G. R. K. Prasad: 3.9 lakh tons.

Brazil Gonsalves: 309,000.

G. R. K. Prasad: 390,000...

Brazil Gonsalves: Okay.

G. R. K. Prasad:including washery rejects.

Brazil Gonsalves: Okay, okay. And out of this, how much was imported?

G. R. K. Prasad: No imports were there.

Brazil Gonsalves: No imports were there, totally domestic.

G. R. K. Prasad: Domestic.

Brazil Gonsalves:, and regarding your power projects which is the expansion which is going on, regarding that, what is the coal supply position, means are we going to have any kind of agreement, memorandum of understanding between any coal mining company or something like that so that the fuel supply will be there?

G. R. K. Prasad: Yes, we have thought of taking control of the coal mine.

Brazil Gonsalves: Okay. Yes, that we know, that -Manganese ore and coal mining, but...

G. R. K. Prasad: Yes, coal mines are meant for power generation.

Brazil Gonsalves: Okay, okay. And is there any specific quantity that this much amount of coal has been guaranteed to our company?

G. R. K. Prasad: Our requirement is about 1.8 million tons per annum...

Brazil Gonsalves: Okay.

G. R. K. Prasad: ...for envisaged projects.

Brazil Gonsalves: Okay.

G. R. K. Prasad: That is more or less assured.

Brazil Gonsalves: Okay fine. , almost all my queries have been answered.

G. R. K. Prasad: Thank you.

Brazil Gonsalves: If I am having any query, I would want to get in contact with you.

G. R. K. Prasad: Please do.

Brazil Gonsalves: Yes, thank you.

P. Trivikrama Prasad: Thank you.

Moderator: Thank you very much. Next in line, we have Mitul Mehta from Lucky Securities. Over to you.

Mitul Mehta: Yes, my questions have been answered. Thank you very much.

Moderator: Thank you very much. Next in line, we have Sarika Kukshya from JM Financial Mutual Fund. Over to you ma'am.

Sarika Kukshya: Hi, good afternoon.

G. R. K. Prasad: Hi Sarika.

Sarika Kukshya: First of all, on the outlook for the Ferro-Manganese and Ferro-Silicon and -Chrome, what is your sense going ahead, should we expect more corrections to follow or it is more than enough for the moment?

P. Trivikrama Prasad: We can expect some more corrections, I think, as far as - Chrome and -Manganese alloys goes.

Sarika Kukshya: Would it be the tune of the 10% or more than that?

P. Trivikrama Prasad: Pardon me.

Sarika Kukshya: Can we see some...

P. Trivikrama Prasad: To the tune of...

Sarika Kukshya: Sorry.

P. Trivikrama Prasad: Yes, could you repeat the question please, to the tune of?

Sarika Kukshya: 10% or more.

P. Trivikrama Prasad: 8...Yes.

Sarika Kukshya: Pardon me.

P. Trivikrama Prasad: Yes, maybe 10%.

Sarika Kukshya: Okay.

P. Trivikrama Prasad: Yes. It may be because, you know, suddenly there seems to be a slump in demand and people start getting desperate with their stocks, so they will be trying to sell them, so that could happen.

Sarika Kukshya: But on the ore side?

P. Trivikrama Prasad: Ore side, prices have not come down, I mean -Chrome prices have come down, by 35% in this quarter and I think there would be a fall in prices for even -Manganese ores too because there will be a lot of significant reduction in demand and more or less they are fixed based on the market prices. So, automatically they would be weaning down the prices.

Sarika Kukshya: So, will the correction be in line with price correction in the final product?

G. R. K. Prasad: We are looking at a lag here, so the Ferro Alloy prices have already fallen and are under pressure now. So, we expect the ores to follow suit, but for a quarter, I think the margins would be under pressure.

Sarika Kukshya: Okay. So, the current run rate of 40% what we have observed on the overall basis, should we assume it is sustainable one or should we expect it to kind of lower down going ahead?

G. R. K. Prasad: I would expect marginal lowering only, at least for the next three months.

Sarika Kukshya: And that factors in the current -Manganese and coal availability from the captive units?

G. R. K. Prasad: -Manganese, see well today again we are going back. Availability is not a constraint, at what cost do we source it, that makes a difference.

Sarika Kukshya: Okay.

G. R. K. Prasad: -Manganese ore or whether it is -Chrome ore. And given that we have a planned reduction in production, we will go slow on procurement as well.

Sarika Kukshya: So, what levels would you be comfortable guiding?

G. R. K. Prasad: Leveraged on what?

Sarika Kukshya: In terms of margins?

G. R. K. Prasad: I wish I could answer that unfortunately we are looking at a pretty volatile scenario now.

Sarika Kukshya: But considering the fact that...

G. R. K. Prasad: But given the cost dynamics and all, we hope to end up the second half at breakeven level for Ferro Alloy segment.

Sarika Kukshya: Okay. And that makes an assumption that probably next year also we would follow the same kind of production levels for Ferro division?

G. R. K. Prasad: No, we will take stock of the situation some time in the last quarter this year as to what kind of production we should do and what kind of product we should concentrate on and how much.

Sarika Kukshya: Okay. Now, on the power side, are we still considering some standalone power projects of 100 MW and 200 MW what we had earlier been thinking of?

G. R. K. Prasad: Yes, Yes, we have three projects which are presently being pursued, adding up to about 330 plus MW.

Sarika Kukshya: Yes, over and above that I am...

G. R. K. Prasad: No, I am talking about...over and about that is it? Those are the projects currently under implementation. So, they will take about 2-1/2 to 3 years' time.

Sarika Kukshya: Okay. So, you would take some...

G. R. K. Prasad: So, we would keep our options for, you know, ramping up the generation capacity further.

Sarika Kukshya: Okay.

G. R. K. Prasad: As of now, we don't have a project to declare other than these three.

Sarika Kukshya: Okay. And one observation has been made in terms of tax rate. For the last two quarters, it has been close to 23%. So, should we assume to be the levels for the full year?

G. R. K. Prasad: I think it will go down as profits from Ferro Alloys diminish, the tax rate also would go down to maybe about 13% to 16% overall.

Sarika Kukshya: Yes, that is what you had actually guided for, for the full year, I thought better clarify with you.

G. R. K. Prasad: Yes, it would have been higher than that if Ferro Alloy profit is expected, but I don't think in the second half we would have a profit from Ferro Alloy segment as such, tax before profit, so it is the MAT that is going to be applicable for whatever profit that we get in the second half.

Sarika Kukshya: Okay.

G. R. K. Prasad: So, overall tax rate would eventually come down.

Sarika Kukshya: Could be close to 16% or so?

G. R. K. Prasad: Maybe around let's say 17% to 18%.

Sarika Kukshya: Right. Fine, thanks a lot.

G. R. K. Prasad: Yes.

Moderator: Thank you very much ma'am. Next in line, we have Govind Gilada from PCS Securities. Over to you.

Govind Gilada: Hi Mr. Prasad.

G. R. K. Prasad: Yes Govind.

Govind Gilada: I want some figures on consolidated balance sheet as on 30th September, if you have it will be helpful to me. First is I want to know total loan funds including working capitals is how much ?

G. R. K. Prasad: It is about Rs. 220 crore.

Govind Gilada: Rs. 200. It is as on the 31st March, it is around Rs. 400. You are telling now it is Rs. 200.

G. R. K. Prasad: Excluding FCCB.

Govind Gilada: Including FCCB, it will be how much?

G. R. K. Prasad: Rs. 360 crore.

Govind Gilada: Rs. 220 plus Rs. 140 crore?

G. R. K. Prasad: Yes.

Govind Gilada: It is Rs. 360 crore. And what is total current assets and current liabilities?

G. R. K. Prasad: I don't have the number Govind. Can we catch up again separately.

Govind Gilada: No problem. If you don't have on hand, some other time I will have it from you.

G. R. K. Prasad: Definitely, definitely.

Govind Gilada: Okay. Thank you very much.

G. R. K. Prasad: Okay.

Moderator: Thank you very much. Next in line, we have Subhabrata Mitra from Jet Age Securities. Over to you.

Subhabrata Mitra: Yes, a very good afternoon to you.

G. R. K. Prasad: Good afternoon.

Subhabrata Mitra:, actually I had a question that what percentage of the total power, you know, production has been used in the Ferro Alloys for the first half?

G. R. K. Prasad: How much percentage you mean?

Subhabrata Mitra: Yes, means see you have a mandatory of using 50% of the power in the Ferro Alloy, but this time given that it is during the first half, this must have been more, so what is the percentage that you have used in the Ferro Alloys production?

G. R. K. Prasad: In the first half, out of the 618 million units, we used 248 million units.

Subhabrata Mitra: Out of 618, you have used 248.

G. R. K. Prasad: 248 million units.

Subhabrata Mitra: Okay, okay, this is number one. And secondly of the 237 MW, how much...for how much MW you have to mandatorily transfer 50% of the power, is it for the entire 237 MW or it is less than that, around 180 MW I think you have to transfer right, of the 180 MW, you have to transfer 50% to the Ferro Alloy?

G. R. K. Prasad: As you know, we have units separately in AP and Orissa.

Subhabrata Mitra: Okay.

G. R. K. Prasad: We have three units in AP, one 50MW unit and two 32MW unit.

Subhabrata Mitra: Right.

G. R. K. Prasad: And in Orissa, we have one 30 MW unit and one 64 MW unit.

Subhabrata Mitra: Right.

G. R. K. Prasad: So, these consumptions, on an annualized scale will be done on a unit specific basis.

Subhabrata Mitra: Okay.

G. R. K. Prasad: So, based on that, we would evolve a strategy next year.

Subhabrata Mitra: Okay, okay. And...hello...

G. R. K. Prasad: Yes.

Subhabrata Mitra: And if you can just give me the, you know, net cash position as on 30th September, the cash position, cash and cash equivalent.

G. R. K. Prasad: We have cash and cash equivalents of about Rs.130 crore against borrowings excluding FCCB of about Rs.220 crore.

Subhabrata Mitra: Okay.

G. R. K. Prasad: So...

Subhabrata Mitra: And, I have another one or two questions, the question is that for the 335 MW that you are currently planning and along with that you have Hyderabad Metro, these are the two cash outflows that we can see in the near term or is there any other cash flow?

G. R. K. Prasad: Not on Hyderabad Metro.

Subhabrata Mitra: Hello...

G. R. K. Prasad: Not on Hyderabad Metro.

Subhabrata Mitra: Not on Hyderabad. So, there is no commitment on the Hyderabad Metro as of now, cash commitment?

G. R. K. Prasad: No.

Subhabrata Mitra: Okay. And on this 335 MW, how much will be your, you know, cash outflow, 30%, debt will be 70:30?

G. R. K. Prasad: Yes, it is a 70:30 debt equity ratio.

Subhabrata Mitra: Okay. Fully on your own balance sheet?

G. R. K. Prasad: It will be implemented under SPV, which is wholly owned by our company.

Subhabrata Mitra: Okay.

G. R. K. Prasad: So, internal generations will be pumped in as equity.

Subhabrata Mitra: Okay.

G. R. K. Prasad: Over the next, let's say, three years.

Subhabrata Mitra: Okay, okay, okay. Okay, thank you very much.

G. R. K. Prasad: Yes.

Moderator: Thank you very much. Next in line, we have Kishan Gupta from CD Equisearch Pvt. Ltd.. Over to you.

Kishan Gupta: Hello...

G. R. K. Prasad: Hello, yes Kishan Gupta.

Kishan Gupta: Yes, can you give me the current realization for Ferro-Chrome?

G. R. K. Prasad: Current realization is about Rs. 60,000/tonne.

G. R. K. Prasad: This is the market talk, just very little offtake anyway.

Kishan Gupta: Okay. And next, I mean as you said that that second half would be very, I mean there won't be much revenues from the Ferro Alloy business and do you think that the power business will be able to compensate for the loss?

G. R. K. Prasad: It will not compensate wholly, but we have to see how much of the shortfall it can meet, but a significant portion, definitely yes.

Kishan Gupta: You are saying that significant portion will be made up because...

G. R. K. Prasad: Will be made up by the power business, yes.

Kishan Gupta: Because two-third of your revenues come from the Ferro Alloy business right?

G. R. K. Prasad: See, the first thing, we don't look at the revenue, the top line is something which we cannot address in case of a slowdown, so it is always the profits. If you see first half, the composition profit of Ferro Alloys is much higher than power, that will get reversed in second half.

Kishan Gupta: Okay, okay. Yes, thanks a lot.

G. R. K. Prasad: Yes.

Moderator: Thank you very much. Next in line, we have Sunil Jain from Nirmal Bang Securities Ltd. Over to you.

Sunil Jain: Good afternoon.

G. R. K. Prasad: Good afternoon Mr. Jain.

Sunil Jain:, in second half, how much unit you are expected to produce from the power plant?

G. R. K. Prasad: On average, we will have power generation at about 208 MW, which is coal-based power generation.

Sunil Jain: See, first half, you had generated around...

G. R. K. Prasad: No, I am talking about 208 MW roughly at about 85% PLF.

Sunil Jain: Okay. And what is the wheeling charges and captive power consumption while generating the power?

G. R. K. Prasad: Of this, we would be captively consuming about 30 MW. Including ancillaries, it is about 45 MW.

Sunil Jain: Okay. And wheeling...

G. R. K. Prasad: So, about 150 MW will be sold in second half.

Sunil Jain: Okay. And will there be any wheeling charges in this or this...

G. R. K. Prasad: This will be gross. So what I am talking about in terms of MW, is the allocation between captive and outside sales.

Sunil Jain: Okay, okay. Okay, and wheeling charges you mentioned...

G. R. K. Prasad: For the external sales, we have to pay the wheeling charges as well as transmission losses.

Sunil Jain: How much is that exactly?

G. R. K. Prasad: That is about 5% in terms of energy in kind.

Sunil Jain: Okay.

G. R. K. Prasad: Wheeling charges ranges at around 20 paisa per unit.

Sunil Jain: 20 paisa, okay. Thank you very much.

Moderator: Thank you very much. Next, we have a followup question from Govind Gilada from PCS Securities. Over to you.

Govind Gilada: Prasad....

G. R. K. Prasad: Yes Govind.

Govind Gilada: As you told, our loan front, we have come down versus March. As on today, you have told it is Rs. 220 crore versus Rs. 250 crore, March Rs. 250 crore. So, in result finance charges, it is reflecting year on year quarter-wise Rs. 385 crore versus Rs. 724 crore. So, it is almost we have doubled. So, I was wondering how come debt has gone down and finance charges they have almost doubled.

G. R. K. Prasad: No, no, debt is...see, we are talking about debt as we carry it and what is relative to capital and what is relative to revenue.

Govind Gilada: No, I didn't understand exactly. When I asked that...

G. R. K. Prasad: No, whenever the plant goes on commercial operation...

Govind Gilada: Yes.

G. R. K. Prasad: ...then we will have to take the finance charges...

Govind Gilada: Yes.

G. R. K. Prasad: ...and in line with the finance, you know, rate movement also, for example, working capital rates have moved up and rebate on power sales has gone up on account of higher power sales.

Govind Gilada: Okay.

G. R. K. Prasad: So slight increase on account of that also has happened.

Govind Gilada: Okay, okay. Thank you very much.

G. R. K. Prasad: Yes.

Moderator: Thank you very much. Participants who wish to ask questions, please press *1 now. Next in line, we have Amol Kotak from ASK Investment Managers. Over to you.

Amol Kotak: Yes, just a few clarifications Mr. Prasad.

G. R. K. Prasad: Yes.

Amol Kotak: One is that you said that Ferro-Chrome unit you are not operating, just wanted to know mainly this is because of the demand issue or is it becoming unviable?

G. R. K. Prasad: Demand issue is a predominant factor.

Amol Kotak: No, because I think your coke cost in your Ferro-Chrome would also have come down and...

G. R. K. Prasad: Yes, you see we have an inventory which can take us through...

Amol Kotak: Okay.

G. R. K. Prasad: ...if we have sufficient demand. So, that is the principal factor for us to, you know to decide stoppage there.

Amol Kotak: Okay. And second question is related to the power segment. Actually I just wanted to summarize your average realization for the first half was about Rs.4/-.

G. R. K. Prasad: Yes.

Amol Kotak: ...including the internal consumption to the Ferro Alloy unit.

G. R. K. Prasad: Yes.

Amol Kotak: You are saying that the merchant sale in the second half, the realization would be better than the first half, is that so?

G. R. K. Prasad: Yes, yes, yes.

Amol Kotak: So, just to, I mean I probably have missed that, what is the increase you have got there? There are short-term PPAs you are talking about?

G. R. K. Prasad: Increase for external sale is about 20%.

Amol Kotak: 20% increase.

G. R. K. Prasad: Yes.

Amol Kotak: So, what was the absolute amount in the first half?

G. R. K. Prasad: About Rs.4.50.

Amol Kotak: And so now you are getting Rs. 6.

G. R. K. Prasad: Roughly, Yes.

Amol Kotak: Okay. And just to carry on from one of the participants, they said the actual EBITDA for the six month period has come down, it was Rs. 2.3 last year same half and this year it is Rs. 2.1. So, what would it be going forward, means what is the impact of the coal cost which you have seen in the first half?

G. R. K. Prasad: Coal...see problem here is, you know, even the linkage coal cost having gone up little, we have to now depend on some e-auction coal which is slightly higher than, you know, our linkage cost.

Amol Kotak: Right.

G. R. K. Prasad: With that...taking that into account, current coal cost for us hovers around 1 rupee 30 paisa per unit.

Amol Kotak: Okay. So then, what would be the total cost excluding interest depreciation for power segment?

G. R. K. Prasad: Per...Yes, let me give at unit level, it should cost us around Rs. 2 now. It used to be about Rs. 1.80 – Rs.1.90.

Amol Kotak: Okay, so it should be around Rs. 2.

G. R. K. Prasad: About 10 paisa increase is there per unit.

Amol Kotak: But this cost last year was about Rs.1.2 per unit, am I right?

G. R. K. Prasad: Last year was about Rs.1.8 for the total cost.

Amol Kotak: Okay. No, your segmental number shows that your average realization last year was Rs. 2.5 and the EBITDA which you had earned was Rs. 2.3 per unit. So, that should be like the cost.

G. R. K. Prasad: I am factoring the transformational losses and other things also for my costing.

Amol Kotak: And the realization of 6 rupees per unit is you are talking at the gross level. So, one should deduct all the wheeling charges and all that.

G. R. K. Prasad: Yes, about 25 paisa.

Amol Kotak: Fine. Thank you.

G. R. K. Prasad: Yes.

Moderator: Thank you very much. Participants who wish to ask questions, please press *1 now. Next in line, we have another followup question from Govind Gilada from PCS Securities. Over to you.

Govind Gilada: Hi Prasad. This is the last question from my side.

G. R. K. Prasad: Yes Govind.

Govind Gilada: I want to know what is exactly inventory at cost of raw material and finished product as on 30th September?

G. R. K. Prasad: You are talking about absolute number?

Govind Gilada: No, no, in terms of rupees I want to know, inventory of raw materials and finished products of Ferro Alloys.

G. R. K. Prasad: About Rs.413 crore of inventory of finished goods, raw material, etc.

Govind Gilada: Both put together?

G. R. K. Prasad: Yes.

Moderator: Thank you very much. Next in line, we have Amit Sinha from Centrum Broking Pvt. Ltd. Over to you.

Amit Sinha: Yes, good afternoon.

G. R. K. Prasad: Yes, good afternoon.

Amit Sinha: Yes, this is related to your power business. This is related to the two power plants which are coming up, phase one 1,050 MW in Orissa and phase two 1,200 MW in...where is this 1,200 MW power plant coming up ?

G. R. K. Prasad: It is in Orissa.

Amit Sinha: Okay. , this was related to the coal linkage problem, coal linkage of both of these plants. Do we have coal linkages for phase one and phase two as well?

G. R. K. Prasad: It has linkage for...even for phase one also for 520 MW only.

Amit Sinha: Okay.

G. R. K. Prasad: Balance linkage is yet to be received though it has been allocated captive coal block.

Amit Sinha: Okay. And this coal block, which we have, is of how much capacity?

G. R. K. Prasad: Its share is 112 million tons of coal.

Amit Sinha: Okay. I mean, how much capacity, as in annual capacity?

G. R. K. Prasad: Capacity of about 1000 MW.

Amit Sinha: Okay, okay. And what about the PPA, we understand the phase one 1,050 MW has a PPA with PTC right?

G. R. K. Prasad: Yes.

Amit Sinha: And what about this 1,200 MW power plant, do we have a PPA with PTC?

G. R. K. Prasad: No, nothing has been done on 1,200 MW.

Amit Sinha: Okay, okay. And regarding the financial closure of both these plants, can you please update on these two?

G. R. K. Prasad: There is a roadblock in terms of land acquisition.

Amit Sinha: Yes.

G. R. K. Prasad: That has to be done for phase one even.

Amit Sinha: Okay.

G. R. K. Prasad: So, that I think will take considerably long time now because of the political situation and generally land acquisition process being slow.

Amit Sinha: Still, how much time it will take, I mean how much time do you expect for this land acquisition?

G. R. K. Prasad: The problem is, you know, we don't want to give a time line for fear of again revising it, you know.

Amit Sinha: Okay, okay. Thank you so much.

G. R. K. Prasad: Okay.

Moderator: Thank you very much. I repeat, participants who wish to ask questions, please press *1 now. We have another followup question from Amol Kotak from ASK Investment Managers. Over to you.

Amol Kotak: Yes Prasad...

G. R. K. Prasad: Yes.

Amol Kotak: Yes, just one question on the Ferro Alloys segment, you produced about 59,000 units on a total basis against all your three products and on a year as a whole, you have to produce...you have to utilize it at 50%, so is it that the balance we should take it as 50,000 tons in second half?

G. R. K. Prasad: Yes, about 15,000 tonnes, yes.

G. R. K. Prasad: Our production target is about 125,000 tonnes originally.

Amol Kotak: Right, but you have done...

G. R. K. Prasad: Say about 58,000 tonnes for the first half.

Amol Kotak: Right, right.

G. R. K. Prasad: So, second half would be about 25% of that.

Amol Kotak: 25%.

G. R. K. Prasad: Yes.

Amol Kotak: Okay, fine. Thank you.

Moderator: Thank you very much. At this moment, there are no further questions from participants. I would like to hand over the floor to P. Trivikrama Prasad for final remarks.

P. Trivikrama Prasad: Thank you for participating in this discussion and if you have any other followup questions, you could always get that clarified and we hope that things will work out better. Bye. Thank you very much.

Moderator: Ladies and gentlemen, thank you for choosing WebEx Conferencing Service. That concludes this conference call. Thank you for your participation. You may now disconnect your lines. Thank you.

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