



NAVA BHARAT VENTURES LIMITED

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Q3/9M FY2009 Investors/Analysts Conference Call Transcript February 02, 2009

Moderator: Good morning Ladies and Gentlemen. I am Nandini, the moderator for this conference. Welcome to the Nava Bharat Ventures Limited Conference Call. 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 like to hand over to Siddharth Rangnekar from Citigate Dewe Rogerson. Thank you and over to you, sir.

Siddharth Rangnekar: Thank you. Good morning and thank you for joining us today on Nava Bharat Ventures Limited Q3 9M FY 2009 Results Conference Call. We are joined today by P. Trivikrama Prasad, Managing Director; and G.R.K. Prasad, Director, Finance & Corporate Affairs, from the company. I would now like to call upon Mr Trivikrama Prasad to share his views.

P. Trivikrama Prasad: Good morning to everyone joining us and thank you for joining us today on the call to discuss Nava Bharat Q3 Results. Let me begin with the highlights and key numbers for the Q3 Financial Year 2009. Net sales stood at Rs.2853 million from Rs.2520 million in the previous year. The corresponding net profits were at Rs. 1011 Million as compared to Rs.753 million last year. For the 9 months period, the net sales figure was at Rs.9741 million and Rs. 5816 million for this year and last year. Given the good results in Power and Ferro Alloys in the first half, the net profits grew 86% from Rs.1854 million to Rs.3466 million.

If you look at the results this quarter closely, the growth came primarily from the Power operations, given the nature of operating model. We are able to undertake higher merchant sales of power from the captive units, a strategy of growing the power portfolio which is on track. We commissioned roughly 100 MW in the past 12 months and we have plans to set up small sized coal-based units close to the existing operations. Since the last quarter, the decline in volume and sales value across the Ferro Alloy industry has been pronounced. We are focusing on managing inventory levels and have optimized production for the need-based orders only. To give you an idea, the total production of silico-manganese in year to date was about 51,100 metric tonnes as compared to about 59,000 metric tonnes last year. This product constitutes two-thirds of our Ferro Alloy production.

Now, we are going to focus on improving productivity and efficiency in the interim. In sugar, we are seeing a marked increase in realizations since last year. The increase stands at 27% and prevailing free sale sugar price is about Rs.18 per kg. We have commissioned the 20-MW mixed fuel power facility. Sugar is expected to give a positive performance in the current season. Just to sum up our strategy, being a power focus company, we have intentions to become a 500-MW player by adding smaller size plants in about 3 years time. In Ferro Alloys, the investments are to obtain control of manganese mines, and this brings to an end my discussion. We would be glad to take any questions that you may have.

Moderator: Thank you very much sir. We will now begin the Q&A interactive session. Participants who wish to ask questions, please press *1 on your telephone keypad. Participants who wish to ask questions, please press *1 on your telephone keypad. On pressing *1, participants will get a chance to present their questions on a first in line basis. Participants are requested to use only handsets while asking a question. To ask a question, please press *1 now. First in line, we have Mohit Kansal from KR Choksey. Please go ahead sir.

Mohit Kansal: Yes, hi, this is Mohit Kansal from KR Choksey. First of all, I have some queries regarding the inventory level. Right now, what is the inventory level in all three segments, Ferro Manganese, Ferro Chrome, and Silico Manganese.

P. Trivikrama Prasad: We have inventories of about 40,000 tonnes.

Mohit Kansal: This time, we have seen, the current tax is in negative, so did we write back some of the provisions?

G. R. K. Prasad: Exactly.

Mohit Kansal: What is the tune of the same sir?

G. R. K. Prasad: The provision relates to what we have made earlier for Ferro Alloys, assuming that the performance would be continuous. It didn't happen, so we have to make a write-back of provision of whatever we made.

Mohit Kansal: So, the Rs 24 cr is a full amount, this is a full provision?

G. R. K. Prasad: Yes.

Mohit Kansal: Rather if we remove that same, more or less our bottom line is more or less the same, right?

G. R. K. Prasad: Right, correct.

Mohit Kansal: Secondly, on the power side. What is right now going on in the capex side, we were planning the 135 MW, two plants, did we order any equipment?

G. R. K. Prasad: We have not placed the orders. The configuration of the power plants has undergone a slight revision. We are now going ahead with two units of 150 MW in AP, and one 64 MW unit Orissa.

Mohit Kansal: Okay.

G. R. K. Prasad: Accordingly, the configuration and discussions with vendors are being finalized now. Once these things are finalized and we have the total costs frozen, then we hope to achieve the financial closure in about 4 months' time.

Mohit Kansal: What is the right now position going in the Ferro Manganese business did we see any sort of more dips in the realizations? Are we expecting some more?

G. R. K. Prasad: See, we took care of the dip that happened as of December 31, 2008,

both in terms of finished goods as well as raw materials that constitute the Ferro Alloys. We hope that further dips would not be there. Well, it is a difficult situation. We can't say like no dips would be there, but we will react to whatever is going to happen to the Ferro Alloy scenario dynamically.

Mohit Kansal: So, sir, how much is the topline we are expecting for FY '09?

G. R. K. Prasad: On gross basis it should be close to about Rs.1400 crore.

Mohit Kansal: Okay, thanks a lot sir. If I have some more, I will get back to you.

G. R. K. Prasad: Thank you.

Moderator: Thank you very much sir. Next in line, we have Poonam Sharma from IDFC Mutual Fund. Over to you ma'am.

Punam Sharma: Sir, I just wanted to know what is the level of debt on the books as of now?

G. R. K. Prasad: One second please. The total debt is about Rs.380 crore.

Punam Sharma: Rs.380 crore and do you have some cash on books also?

G. R. K. Prasad: Yes, we have cash close to about Rs.240 crore.

Punam Sharma: Could you share with us what kind of capex are you going to do for the next two years, and is it going to be primarily power capex?

G. R. K. Prasad: It is primarily power capex and besides that we have to invest some for the acquisition of mineral concessions like coal and manganese. These are the two investment initiatives that the company is undertaking. In the next 3 years.

Punam Sharma: So how much would be the capex in the next 2 years?

G. R. K. Prasad: Can't give you the number, but on power side, we may have, in the next 2 years, about Rs.250 crore. Assuming the advances and all, and on the mines it is also about similar number.

Punam Sharma: Similar number.

G. R. K. Prasad: Yes, in the next two years.

Punam Sharma: Some time back, the power target was about 1000 MW in the next couple of years, but you are saying that we will be doing about 500 MW in the next 3 years.

G. R. K. Prasad: No, the target remains the same. What Mr Vikram said relates to the power that is being set up within the company or within the company owned subsidiaries. So, that is going to be about 500 plus megawatts.

Punam Sharma: Okay.

G. R. K. Prasad: The one which you talked about, the 1050 MW unit is in a SPV where we have 50% stake-holding. So, that runs parallel to these plants, but I think given the land acquisition considerations and other issues that are cropping up in Orissa, we expect that plant to achieve financial closure may be in about about 8 months' time.

Punam Sharma: Okay sir , that is all from my side. Thank you so much.

G. R. K. Prasad: Thank you.

Moderator: Thank you very much ma'am. Next question comes from Amol Kotak from ASK Investments. Over to you sir.

Amol Kotak: I had a few questions. One is the provision of forex loss about Rs.22 crore.

G. R. K. Prasad: Yes.

Amol Kotak: Why have we provided this in our books?

G. R. K. Prasad: We have foreign currency loan in our books and denominated in yen, so it is a mark-to-market provision as of December 31, 2008.

Amol Kotak: But was not that hedged already to a fixed rate?

G. R. K. Prasad: I am talking about foreign currency loan. You are talking about the FCCBs. As far as FCCBs are concerned, the exchange rate for the conversion is fixed, so we have not taken any mark-to-market provision for FCCBs. This is the normal loan which we contracted for the power plants on which the mark-to-market provision has been made.

Amol Kotak: Sir, the term of the loan? What is the total amount of this loan which we have taken?

G. R. K. Prasad: It is roughly about..., after the provision, it stands at Rs.115 crore now.

Amol Kotak: Okay and this is repayable when?

G. R. K. Prasad: This is already getting repaid, so we have another 4 years to go for this loan.

Amol Kotak: Just one question on this debt amount, you said Rs.380 crore, is this including FCCB or excluding?

G. R. K. Prasad: It includes FCCBs, standing at Rs.140 crore.

Amol Kotak: So actually there is no debt, zero debt...

G. R. K. Prasad: That is about right.

Amol Kotak: Can you tell me the inventory loss amount which you have booked in this quarter for Ferro Alloys.

G. R. K. Prasad: In finished goods and raw material the loss would be about Rs.63 crore.

Amol Kotak: Rs.63 crore is the amount which we have booked.

G. R. K. Prasad: Yes. Inventory valuation is by restatement of values in respect of finished goods. For inventory of raw material, we went by AS 2 valuation, so the write down is about Rs.42 crore.

Amol Kotak: Okay, and what is the capex on, the update on the buyback offer which we have done.

G. R. K. Prasad: Buyback is currently going on, we intend to continue the buyback. The maximum offer size is 50 crore with about 50 lakh shares. As of now, we have done about, about 8 lakh shares or so of buy back.

Amol Kotak: Just wanted to understand your outlook on the ferro alloy, how is the current situation, are things improving or they are still in bad state?

P. Trivikrama Prasad: See, regarding ferro alloys for the last few months, there was absolutely no demand for these products because most of the steel mills were loaded with their inventory, and in December and January, we are seeing some movement in ferro-alloys especially in the Silico Manganese side, from countries like Russia. The prices have come down a lot, by almost 50% and some time to 55%. That is the situation right now.

The only thing is that some of our inventory is moving, and regarding how is it going to be like, maybe it is going to be like this for some more time till in the other places too the inventory gets exhausted, and now China too has started picking up iron ore from India, so hopefully there will be something better, market scenario will be better, but as far as prices go, I don't see any immediate change in the next quarter.

Amol Kotak: So, what are the current prices of each of your products, Ferro Manganese and others.

G. R. K. Prasad: Ferro Manganese is about Rs. 50,000/tonne.

Amol Kotak: And Silico Manganese?

G. R. K. Prasad: Silico Manganese, average between export and domestic grade is about Rs. 40,000/tonne, and Ferro Chrome also is about Rs. 40,000/tonne.

Amol Kotak: Rs. 40,000/tonne, okay, and the ore prices which you are currently getting for...what are the prices for your ore?

G. R. K. Prasad: The ore currently being carried in our books is about Rs.9,000/tonne.

Amol Kotak: This is for manganese?

Amol Kotak: How much is chrome now?

G. R. K. Prasad: No, I am saying the quantum of ore is much less. It is predominantly manganese ore that is being carried.

Amol Kotak: How will be inventory position move, let us 40,000 tonnes as of 31st, so is it being liquidated in the current month?

G. R. K. Prasad: Yes, the liquidation pans around Silico Manganese sale, but of course the movement is rather slow. We are also producing Silico Manganese of about 2,000 tonnes a month. Less than what we were otherwise doing.

Amol Kotak: Just one last question from my side. How is the power rates now, what is the current spot rate you are getting?

G. R. K. Prasad: About Rs.6/unit.

Amol Kotak: And in between, they had fallen to a lower level, right, so are they improved in this last one month.

G. R. K. Prasad: No, They fell from about Rs. 7/unit to Rs. 6/unit, we have not seen fall below that.

Amol Kotak: Thank you very much. If I have questions, I will come back.

Moderator: Thank you very much sir. Next in line, we have Mithun Aswath from Kotak Portfolio Management. Over to you sir.

Mithun Aswath: Yes, just wanted to get an idea of the expansion for the current capacity and how it will move in the next couple of years. You said 500 MW, but do you have a yearly plan to increase the rate, would you know in FY '09, what is the power, total power capacity and FY '10?

G. R. K. Prasad: I think these three plants which we have undertaken will come up, more or less, on the same time in FY '12, and till then we would have this 208 MW of coal-based generation, 20 MW of mixed fuel, and 9 MW of cogeneration.

Mithun Aswath: How many, 9 MW of?

G. R. K. Prasad: Cogeneration that is sugar.

Mithun Aswath: Okay, so there is no expansion in capacity over the next couple of years.

G. R. K. Prasad: I don't expect so.

Mithun Aswath: And when would you think that 1050 MW power plant will be ready?

G. R. K. Prasad: It might take longer time than these plants which we talked about, may be 1 year more than I would say, FY '12.

Mithun Aswath: Okay sir, thank you.

Moderator: Thank you very much sir. Next in line, we have Shreyans Jain from Axis Private Equity. Please go ahead sir.

Shreyans Jain: I wanted to know about the performance of your various power units, specifically the PLF, the price at which you are selling the power, and also the biomass power plant, what is the tariff you are getting there?

G. R. K. Prasad: Our power plants operate around 90% PLF, excepting where we have a limitation on power evacuation like what happened in Orissa. We have a limitation on the power evacuation there, so the PLF has gone down a little bit to about 80%. Otherwise, power plants operate at about 90% PLF.

Shreyans Jain: These biomass power plants also, Dharmavaram and Samalkot also?

G. R. K. Prasad: Dharmavaram has just been commissioned. The Samalkot, the 9 MW cogeneration plant is effectively run during sugar season.

Shreyans Jain: Okay, so that Dharmavaram power plant, I think there was a recent deal in Andhra Pradesh has increased the tariff, is it applicable to Dharmavaram also?

G. R. K. Prasad: for Dharmavaram unit we have not signed any PPA with Andhra Pradesh government or anything under NEDCAP rules. We are keeping it as a merchant power unit. So, at present, we are trading the power.

Shreyans Jain: What is the price you are getting right now.

G. R. K. Prasad: It is about Rs.6/unit.

Shreyans Jain: And the PLF at which you are operating at this point?

G. R. K. Prasad: This has just been commissioned, After a couple of months, we should say more about this plant.

Shreyans Jain: How is the fuel supply there? What is the generally average fuel power that you are getting there, since biomass has gone up a lot, the price.

G. R. K. Prasad: It is a mixed fuel power plant, so we can use bagasse and coal, which is imported coal in this case, so we have enough fuel availability.

P. Trivikrama Prasad: We don't buy any biomass from outside, you know, we don't buy any biomass....the bagasse is from our sugar plant which is surplus. We shift that because it is just about 28 km away, we shift it from that plant to this plant.

Shreyans Jain: I was under the impression that this is new plant.

P. Trivikrama Prasad: Yes, it is a new plant, but it is a separate plant.

Shreyans Jain: Okay, good captive here anyway.

G. R. K. Prasad: The bagasse comes from the existing sugar works.

Shreyans Jain: Okay, thank you sir.

Moderator: Thank you very much sir. Next in line, we have Pankaj Prasoon from HDFC Mutual Fund. Go ahead sir.

Pankaj Prasoon: Good morning sir. Just wanted to clarify out of your existing 228 MW of power capacity, how much is merchant and how much has been tied up, and second question would be what is your strategy going forward in terms of offtake?

G. R. K. Prasad: Out of 208 MW, about 100 MW is definitely earmarked for merchant sale in the normal course. That we have been doing in the last one year or about. The strategy is to reduce our ferro-alloys production, and selling additional power, so as things stand today, we have contracts for sale of power to the extent of about 150 MW.

Pankaj Prasoon: You said out of the 208, you would have surplus, as of now surplus of 100 MW.

G. R. K. Prasad: No, 100MW is normally earmarked for merchant sale out of the 208 MW as per our production plan goes. Since the ferro-alloys are not doing well, we backed down on ferro-alloy production and are selling that power also on a merchant power basis.

Pankaj Prasoon: But sir, based on our current quarter production of ferro-alloys, how much surplus would you have to sell into the market.

G. R. K. Prasad: As of now, our surplus is about 170MW including that from the new 20 MW unit.

Pankaj Prasoon: And sir, out of this, you said 100 MW will be open for merchant, that is going to be a long-term strategy?

G. R. K. Prasad: Correct. 100 –120 MW is clearly earmarked for merchant sale, so it won't be touched. So, we would sell additional power, over and above this, to the extent we reduce the ferro-alloy production.

Pankaj Prasoon: For the balance, do you have any PPA signed up as of now?

G. R. K. Prasad: We actually are using the open access transmission system, so there is no PPA, but we have an arrangement with traders in Andhra Pradesh and Orissa with a medium-term trading arrangement. Against that the traders go and tie up the power sales.

Pankaj Prasoon: What would be your average realization on that aspect?

G. R. K. Prasad: Out of this merchant sale, we are doing, we are selling about 20 MW to GRIDCO. In Orissa. There, the realization is about Rs 2.30 per unit, and for the balance our average realization is around 6 rupees for the period up to the date.

Pankaj Prasoon: I see, perfect sir, that answers my question, thank you.

Moderator: Thank you very much sir. The next question comes from Rahul Bhangadia from Lucky Securities. Over to you sir.

Rahul Bhangadia: Just wanted to understand more about this power sale outside. I understand there was some regulation that for the full year, you cannot sell more than 50% or 51% outside, is that regulation still there?

G. R. K. Prasad: Regulation still exists, that is a regulation on an annualized basis. If you have very clear production plan ahead, you can see that one unit or two units or three units can be earmarked for power sale.

Rahul Bhangadia: Okay because if we see the 9 months figures provided by in the release, our captive consumption is close to around 305 million units and you have sold around 675 million units.

G. R. K. Prasad: Right.

Rahul Bhangadia: So, in the first 9 months, the ratio is approximately at 70:30, 70% outside and 30% captive, and again for the full year, you will have to do 50:50, so does that mean the fourth quarter you will not be able to sell power outside?

G. R. K. Prasad: No, let me clarify. This 51% is regulated on Power unit basis. So, in AP we have 3 power units, one 50 MW and two 32 MW units. In Orissa, we have two units, one 30 MW and one 64 MW units. Out of these units, we have already designated 64 MW unit in Orissa and one 32 MW unit in AP as merchant power units. So, these are outside the purview of captive power. And the balance units are captive units for ferro alloys. So about 96 MW is clearly available for outside sale out of 208 MW, and out of the balance about 50% can be sold.

Rahul Bhangadia: I got it sir, and secondly sir, also, you can give FCCB buyback?

G. R. K. Prasad: We are not doing the buyback of the FCCBs now, but we can't rule it out too.

Rahul Bhangadia: Sir, could you give some in terms of your cost on the power front, how is it moving, how it has moved in the last quarter, and how is it looking going forward?

G. R. K. Prasad: Last quarter, we have had some slightly higher costs in terms of coal procurement. We had to go for e-auction procurement and imported coal because linkages were not being adhered to by the coal company. Our cost of power moved up to about Rs. 2.50/unit .

Rahul Bhangadia: Okay, and you expected revenue at this level only sir, going forward.

G. R. K. Prasad: I safely assume that fully loaded cost will be about Rs.2.50/unit.

Rahul Bhangadia: What is the scene on the mines that you mentioned, I think you also mentioned regarding some Indonesian mines. Could you give some update on that, how is it going over there?

G. R. K. Prasad: This mine has a minable reserve of 10 million tonnes. It is small area, but the good thing about this mine is it is practically operational mine, so we have very

little lead time to take the coal out. Our expectation is that in about 6 months' time, we should be able to move the coal out from this mine.

Through a complex set of agreements, we have 75% control on the off-take of this mine, so roughly that means we have an economic interest of 7-1/2 million tonnes. Another good thing about this mine is that it has an adjacent area which is under exploration, which could possibly throw up may be another 20 million tonnes. So, this coal in the near term would help us do trading and our supplementing the domestic requirement of coal, and once these power plants which are under implementation now come on stream, it will address the fuel arrangement there.

Rahul Bhangadia: So, what is the type of output you are looking once you start and the ramp-up there?

G. R. K. Prasad: In about two years' time, we want to increase the extraction to about 2 million tonnes.

Rahul Bhangadia: Okay, and how much would you start on sale on monthly basis say from September this year which you mentioned.

G. R. K. Prasad: We are starting at about between 30,000 to 50,000.

Rahul Bhangadia: Tonnes a month basically?

G. R. K. Prasad: Yes.

Rahul Bhangadia: One last question sir, you mentioned regarding Rs.250 crore capex on mines, could you just also give some update as to what is happening on that front?

G. R. K. Prasad: One is this mine, so we are also looking at manganese mines and some other coal mines as well. Since the manganese mine is covered by non-disclosure agreement today. We are going through the diligence process and technical diligence. Once we have the diligence done, then we would sign definitive agreements in a similar fashion.

Rahul Bhangadia: Basically the ferro-mines are at fairly advanced stage?

G. R. K. Prasad: Yes. The things go a little slow there, but may be in about 5 to 6 months, we should be able to commence operation there also.

Rahul Bhangadia: Which country would basically?

G. R. K. Prasad: We are talking about Indonesia.

Rahul Bhangadia: Even the ferro-mines?

G. R. K. Prasad: It is manganese ore mine.

Rahul Bhangadia: Okay, and sir what would be the capex that you would have incurred for this coal mine that you have bought in Indonesia, any capex that we have to do?

G. R. K. Prasad: Yes, we have to pay for the stake to start with, and we also have to incur cost per capital expenditure and jetty, and related infrastructure.

Rahul Bhangadia: How much would all that be...what would be our share for that 75%?

G. R. K. Prasad: The total cost we are expecting it to be about \$20 million, so our cost would be about \$15 million for this mine alone.

Rahul Bhangadia: And this is over a period of 2 years?

G. R. K. Prasad: This I think will get spent in about an year's time.

Rahul Bhangadia: Thank you sir, that is all from my side sir.

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

Subhabrata Mitra: Just wanted to know your Q3 realization of the ferro-alloys.

G. R. K. Prasad: Before I give the number, we would like you not to assume the realizations to sustain because these are based on old orders and which got executed over a period of time and also in the Q3 too.

P. Trivikrama Prasad: The present rates are not as good, so let me caution you on that.

G. R. K. Prasad: So, the realizations for Silico Manganese is around Rs. 80,000/tonne, and Ferro Manganese is also around Rs. 80,000/tonne.

Subhabrata Mitra: For Q3 also?

G. R. K. Prasad: Yes, I am talking about Q3.

Subhabrata Mitra: The average realization has been Rs. 80,000/tonne for Silico Manganese?

G. R. K. Prasad: Those are related to old orders, which got carried, which got executed partially in Q3. We had an old order with Vizag Steel plant which got concluded some time in this quarter.

P. Trivikrama Prasad: The present prices are around Rs. 40,000/tonne I think, earlier Prasad has already indicated to you about it.

Subhabrata Mitra: Yes, so I was actually wondering that Rs. 50,000/tonne or Rs. 40,000/tonne has been the Q3 '09 realization or it is still lower right now?

P. Trivikrama Prasad: Those rates are as prevailing as of December 31, 2008.

Subhabrata Mitra: Okay sir, thank you.

Moderator: Thank you very much sir. The next question comes from Raunak Nagda from Value Quest Research. Over to you sir.

Raunak Nagda: I would just like to know are you planning to buyback your FCCB?

G. R. K. Prasad: Yes, I can't say or anything today, but it is not ruled out because we have a current buyback of equity shares. So, FCCBs can be looked at only after this buyback program is done.

Raunak Nagda: Okay, thank you sir.

Moderator: Thank you very much sir. Next, we have a follow up question from Amol from ASK Investments.

Amol Kotak: Yes, one question, Mr. Prasad.

G. R. K. Prasad: Yes.

Amol Kotak: We discussed the whole mine field, just to run through this, your manganese mines will start in about 4 to 5 months.

G. R. K. Prasad: No, no, coal. We said coal mine will get started earlier.

Amol Kotak: Sorry, coal mine will start in 4 to 5 months, and the manganese mines when it will be starting.

G. R. K. Prasad: Manganese mine is only expectation. We are going through the diligence, so unless the diligence is completed, we would not be signing the definitive agreements.

Amol Kotak: Okay, but if all this materializes, when do you expect to start the manganese mine?

G. R. K. Prasad: If I have to give a time, I think, may be in the next 6 to 9 months.

P. Trivikrama Prasad: See, this is the best time to close these deals because now they are at the lowest prices, you know. That is the reason that we are trying to take this up because prices have come down a lot and margins for these have also come down. This is the best time for us to do something on there.

Amol Kotak: Well, there was one more contract with a South African supplier for your ores, what is the situation on that, I mean the contract is over or it is extended into next year.

G. R. K. Prasad: It is an yearly contract, so we are trying to renew it though of course the off-takes are not planned immediately.

P. Trivikrama Prasad: And also the prices have come down a lot.

G. R. K. Prasad: The prices have come down, so we will keep the dialogue on but without actually taking any ore immediately. This is in West Africa. Not South Africa.

Amol Kotak: Just one question on the Metro Rail project, if you could clear the current status after the whole Satyam thing, how are we planning it and how are we going about it?

P. Trivikrama Prasad: The Metro, we have no financial commitment so far, it is only an understanding that we would have 16% of equity. We have no investment right now in that Metro.

Amol Kotak: Okay, but going forward, are we going to participate in the projects or are we withdrawing it or is the government looking at a new situation altogether, what is the status on this?

P. Trivikrama Prasad: See, as per our understanding with the Maytas, they are supposed to achieve the financial closure around March 20, and that I don't think is going to take place at this situation, and the government has a right to withdraw right now, but we don't know if the government is looking at it right away, but that is the situation, and they had given guarantees to that effect. Guarantees have been given by Maytas that they would be having this financial closure by that time.

Amol Kotak: Given the situation, if the whole project is materializing, are we going to participate in it in the future or are we withdrawing it, what is the management view on this?

G. R. K. Prasad: Let me answer that Amol. I think we would go out of the project by default. So, that, I think is a more or less on cards.

Amol Kotak: Okay, fine, thank you very much.

Moderator: Thank you very much sir. The next question comes from Mohit Kansal from KR Choksey. Over to you sir.

Mohit Kansal: Yes, sir, this is Mohit Kansal again. I had just one followup question.

G. R. K. Prasad: Yes.

Mohit Kansal: Regarding the power segment I am talking about, there is little confusion. Till date we have a total capacity of 237 MW right?

G. R. K. Prasad: Yes.

Mohit Kansal: Now, till Q2 FY '09, in the concall, we have plans to add one power plant, that is 1050 MW power plant in which we are making into 3 plants, that is 350 x 3, right?

G. R. K. Prasad: This 3 x 350 MW power plant is not part of our company.

Mohit Kansal: Yes, that is true.

G. R. K. Prasad: Over here, we have a 50% stake. The power projects which we just talked about, 2 units of 150 MW and 64 MW are part of the company's investment in subsidiaries, where 100% control is existing.

Mohit Kansal: Sir, if I am not mistaken, earlier this time you said 150 MW x 2 plants, that is 300 MW plus the 64 MW, that is 364 MW. And earlier it was like 135.

G. R. K. Prasad: 2 x 135, 2 units of 135 MW .

Mohit Kansal: Okay, now it has increased.

G. R. K. Prasad: Yes, yes because we found that the 150 MW unit is slightly better, that is where actually slight delay has been there in finalizing the orders.

Mohit Kansal: So, basically this 364 MW, that total which you are planning to make a capex, this should come in next 2 years.

G. R. K. Prasad: 3 years.

Mohit Kansal: In FY '10, are we adding any power capacity?

G. R. K. Prasad: No, I think, possibly the 64 MW could get commissioned in FY 2011.

Mohit Kansal: Okay, and the rest 300 MW we can expect in next FY '12.

G. R. K. Prasad: Yes, FY '12.

Mohit Kansal: And another thing the buyback which we have done to the tune of 8 lakh shares, what is the average price out there?

G. R. K. Prasad: They will be placed at around Rs.115.

Mohit Kansal: Okay, thanks a lot.

Moderator: Thank you very much sir. Next in line, we have Rahul Bhangadia from Religare.

Rahul Bhangadia: My question has already been answered. Thank you.

Moderator: Thank you very much sir. The next question comes from Shekhar Singh from Goldman Sachs.

Shekhar Singh: On this coal mine, you mentioned \$15 million is what you will be spending for the 75% of stake, does this \$15 million include the capex which is also required?

G. R. K. Prasad: Part of th CAPEX is for acquisition of jetty, in which we would have about 25% stake and as far as capex on the mines, it is not part of that \$15 million.

Shekhar Singh: And how much will that be, how much will be the capex on the mines?

G. R. K. Prasad: We are proposing to outsource the extraction, so it is more like operating expenses.

Shekhar Singh: Okay, and what will be the cost of the coal per tonne?

G. R. K. Prasad: We expect it to be about \$ 35 to \$40 per ton of coal which has a CV of 5,500 K.cals basically.

Shekhar Singh: On the manganese side, just wanted to know like what will be your expectation of the cost of the mined ore from the mines that you are looking at versus the current price of manganese ore?

G. R. K. Prasad: We expect to derive about 30% savings at current costs.

Shekhar Singh: So, currently manganese will be selling at what price in the spot market?

G. R. K. Prasad: Manganese, you mean alloy?

Shekhar Singh: Yes, manganese alloy.

G. R. K. Prasad: See, Silico Manganese has different grades. Domestic grade is about Rs. 36-37,000/tonne, and export grade is about Rs.43,000/tonne. Average is about Rs.40,000/tonne. Ferro Manganese is about Rs.50,000/tonne.

Shekhar Singh: Sure, okay sir, thanks a lot.

Moderator: Thank you very much sir. Next in line, we have Akhil Reddy from Wealth Bridge. Over to you sir.

Akhil Reddy: I have a couple of questions. This is with regards to the coal mines sir. I mean, just wondering, how are you funding the acquisition of the coal mines sir?

G. R. K. Prasad: We have a subsidiary in Singapore, the Singapore Company will enter into a marketing arrangement with another offshore company which will enter into an exclusive off-take agreement with the coal concession in Indonesia. So, that offshore company has an exclusive off-take and marketing arrangement. Our Singapore subsidiary intends to hold 75% stake in that offshore company.

Akhil Reddy: Your Singapore subsidiary, which is a wholly-owned subsidiary owns 75% stake in this company?

G. R. K. Prasad: That is right.

Akhil Reddy: This mine, the cost of acquisition would be \$20 million?

G. R. K. Prasad: That is the value of the mine, so \$15 million is our cost.

Akhil Reddy: Got it, and the off-take and the mining contracting all of that we will be outsourcing it to that partner of yours?

G. R. K. Prasad: No, we have another foreign investment company in Indonesia, which is entrusted with the mine operation agreement. So, the mine operations are dealt by foreign investment company which is predominantly owned by our subsidiary.

Akhil Reddy: Okay, so that will be a part of the Nava Bharat Company, the listed company as well?

G. R. K. Prasad: It is not Nava Bharat listed company, as a hierarchy goes, yes. But the actual off-take is done by the subsidiary in which the Nava Bharat Singapore has 75% stake.

Akhil Reddy: Alright sir. Thank you so much.

Moderator: Thank you very much sir. The next question comes from Bhavin Chheda from Enam Holdings.

Bhavin Chheda: If I got it correctly, you said you have taken a loss of Rs.63 crore, Rs.42 crore inventory write-down and finished good write-down of Rs.20 crore in this quarter, right?

G. R. K. Prasad: That is right.

Bhavin Chheda: So, both these losses are adjusted in raw material cost in the quarter only.

G. R. K. Prasad: No, no. Rs.42 crore is adjusted in raw material, about Rs.20 crore is adjusted in inventory values.

Bhavin Chheda: Inventory value, but again if I am seeing your results, your inventory in the quarter is showing a Rs.17-crore increase, so that was produced during the current quarter and not sold?

G. R. K. Prasad: Partly, but inventory gain might have been on account of sugar too.

P. Trivikrama Prasad: Sugar, that is more on sugar.

G. R. K. Prasad: Sugar season has come in just now.

Bhavin Chheda: Increase in inventory is mostly of the sugar.

G. R. K. Prasad: Sugar, yes. Mostly for sugar, Out of that Rs 17 crore, I think, almost Rs 15 Cr would be sugar only.

Bhavin Chheda: Getting again your power, so the numbers which you have shown in the power division, are those sustainable because earlier we believe that you are allowed to sell only 50% merchant after doing 50% captive for ferro-alloys division, so now the ferro-alloys production will see a significant dip, so can this entire power plant be sold on a merchant basis outside.

G. R. K. Prasad: Yes, in a given year, let me hypothetically say that in FY '10 we don't intend to produce any ferro-alloy, then we could delineate all these units as merchant power units, and not be subjected to that 50% call.

So, what we propose to keep only one unit in AP, one out of three, as a captive power unit and keep the other two units as merchant power units and keep both the units in Orissa as merchant power units, so from April onwards all the power will be predominantly for merchant sale excepting for auxiliary consumption and to some extent of manganese alloy production in AP.

Bhavin Chheda: So, do you have to pay extra charges to sell this?

G. R. K. Prasad: No, we don't need to pay. The only flipside is in case whatever unit we bring it as a captive power unit, and where the consumption falls below 51%, consumption of ferro-alloys or auxiliary consumption might attract a cross-subsidy surcharge.

Bhavin Chheda: No, no, I didn't get this clear.

G. R. K. Prasad: See, I am proposing to delineate out of 3 units, one unit as a captive unit in AP. This unit will dedicate to the smelter. Now, whatever power that is produced out of this unit, 51% of it is used for the smelter and for auxiliaries then that unit qualifies as a captive power unit, and 49% power of that unit also can be sold out. Now, if for some reason, the 51% is not consumed, then whatever consumption, that may be 5%, 10%, out of that might attract a cross-subsidy surcharge.

Bhavin Chheda: And how much that is?

G. R. K. Prasad: That actually varies from one distribution company to the other distribution company. Our charge in AP is about Re.1 a unit.

Bhavin Chheda: Sir, just I wanted to now get a clarification so since the earlier provision you had for entire power plant 50 captive, 50 merchant, is not there a regulation that now that....

G. R. K. Prasad: No, Bhavin, the regulations have not changed, regulations have always been unit specific.

Bhavin Chheda: Unit specific?

G. R. K. Prasad: Yes. We have power plants in AP and Orissa. Each power plant has different sized units. In AP, we have one 50 MW and two 32 MW units, so this 51% consumption is applicable per unit.

Bhavin Chheda: If I heard correctly, the Indonesian coal mine you said capex of Rs.200 crore?

G. R. K. Prasad: No, that is the total money earmarked for mineral acquisitions, coal mine plus manganese mines, capex, all that stuff.

Bhavin Chheda: Everything put together will be 200 crore?

G. R. K. Prasad: Rs. 250 crore.

Bhavin Chheda: This 250 crore will be entirely spent in FY '10?

G. R. K. Prasad: No. It will be over a period of 2 years.

Moderator: Thank you very much sir. Participants are requested to press * followed by 1 to present their questions. Next, we have a follow up question from Rahul Bhangadia from Lucky Securities. Over to you sir.

Rahul Bhangadia: Yes, in case we close this manganese mines that we spoke of, will it be viable to produce ferro-alloys even at the current spot prices?

G. R. K. Prasad: See, manganese ore acquisition is a long-term measure, so we don't intend to use the ore just because we have mine under control. We might use it as a trading opportunity.

Rahul Bhangadia: I am just trying to understand sir, in case we get this mine, let us say the current prices will rule for say another few quarters, for you to be profitable to use this mine, you could make profit or how it works out basically?

G. R. K. Prasad: Well, we are talking too long ahead for the realizations to give a very good answer on this, but let me tell you whatever we are going to do will be driven by profits, so if the profits in ferro-alloys are equal or better than power, then we might look at that option, but as things stand, it does not look like that they would be better than power.

Rahul Bhangadia: Regarding this expansion in power plant, that 2 x 150MW and one 64 MW, you mentioned that basically you will be feeding those from the mines that you are getting in Indonesia and you also mentioned that current reserves are 10 million, which could go up to 30 million in case further exploration is successful. In case that does not happen, what is the alternative strategy sir?

G. R. K. Prasad: Our target is to acquire mineral concessions where we can have about 30 to 35 million tonnes for these power plants. So, 10 million is what we have done. We would be doing explorations for the rest and also look at other mines too to see that these power plants are fully provided with fuel security.

Rahul Bhangadia: But we are not in touch with government for something like fuel linkage on the domestic front for this power plant, is not it an option we are looking at?

G. R. K. Prasad: It does not look like the linkages are coming smoothly. They are coming with so many conditions, which I don't think we can comply.

Rahul Bhangadia: Sir, this 20 million tonnes additional exploration, when can we expect a clarity on that, how much time will it take?

G. R. K. Prasad: The processes are on... our teams are working on looking at various mines. So, I can't give you a timeframe there. We don't intend to do it in a hurry also because these are intended for our power generation in 3 years' time. I think as valuations are low, there is no hurry really for us.

Rahul Bhangadia: What is the type of reduction you have seen in terms of acquisition cost for both these manganese mines as well as coal mines because I think you will be in the process for almost 2 to 3 years now. Because of this correction in the commodity prices last 1 year, what is the type of correction you have seen in the prices there?

G. R. K. Prasad: Well, I will only react on this operating coal, practically operating coal mine. The valuations have come down by about 30% there. As far as manganese ore mine is concerned, we are putting the money for making the mine operational, so there is no up front payment at this moment.

Rahul Bhangadia: Okay, thanks sir.

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

Shirish Kumar Reddy: Just wanted to know the build up in inventory in...what is the difference in Q2 and Q3?

G. R. K. Prasad: About 6000 tonnes of Manganese.

Shirish Kumar Reddy: But we have produced around 11,000 tonnes in Silico Manganese in Q4.

G. R. K. Prasad: Some sales were there for Silico Manganese.

Shirish Kumar Reddy: So, 5,800 tonnes over the same?

G. R. K. Prasad: Yes.

Shirish Kumar Reddy: That was at what realization sir?

G. R. K. Prasad: The sales relate to old stock. So, average realization was about Rs. 80,000/tonne.

Shirish Kumar Reddy: Which includes the 5,000 tonnes from the spot?

G. R. K. Prasad: whatever we have reflected in this quarter relates to old orders only.

Shirish Kumar Reddy: Okay, roughly, there is 6,000 tonnes of addition in this quarter? Because we had produced around 12,000 tonnes of Silico Manganese.

G. R. K. Prasad: Yes, 6,000 tonnes, correct.

Shirish Kumar Reddy: So, 6,000 tonnes is the difference, okay, and the total is 40,000 tonnes right?

G. R. K. Prasad: Yes.

Shirish Kumar Reddy: What is the average realization of these 40,000 tonnes.

G. R. K. Prasad: Average realization of?

Shirish Kumar Reddy: This 40,000 tonnes of finished goods in the inventory.

G. R. K. Prasad: We are carrying the inventory now. The current prices, I told you already, for silico manganese is around Rs. 40,000/tonne, Ferro Manganese is about Rs. 50,000/tonne.

Shirish Kumar Reddy: What is the finished good inventory in terms of crore?

G. R. K. Prasad: Value wise, Rs.183 crore .

Shirish Kumar Reddy: Okay, and the raw material inventory would be?

G. R. K. Prasad: Raw material inventory is about Rs.186 crore.

Shirish Kumar Reddy: So, last quarter it was Rs.264 crore.

Moderator: Thank you very much sir. Next in line, we have Abhilasha Satale from Techno Shares.

Abhilasha Satale: Hello sir, could you give us any guidance regarding say Q4 sale of ferro-alloys and FY '10 sale, volume guidance?

P. Trivikrama Prasad: Regarding ferro-alloys? Talking about the current quarter, I see some sales taking place but not as bad as the previous quarter, but definitely price front I think it is going to be very, very low, and it could remain the same. I don't see any immediate surge in the third quarter, Perhaps till second quarter of next year, I don't see anything. Unless you see some big investments in what you call these infrastructure projects and things like that ferro-alloys may continue to be weak, and for us, April-May-June, we would continue to produce and sell power itself because the prices are going to be very attractive at that time, and we will not think of producing any ferro-alloys at that time.

Abhilasha Satale: Right sir, you were saying that ore prices are around Rs.40,000 per tonne and realization, current realization is around Rs.50,000 per tonne, what is like average conversion cost because you are making loss, so I just wanted, you know, per tonne how much it could be?

G. R. K. Prasad: See, at the re-stated values, Rs.40,000/tonne is for Silico Manganese and Rs. 50,000/tonne is for Ferro Manganese.They are at about breakeven level where the current costs are fully factored.

Abhilasha Satale: One more thing, what is your cane cost, current.

G. R. K. Prasad: It is Rs.1500 per tonne of cane.

Abhilasha Satale: Okay fine, thank you.

Moderator: Thank you very much ma'am. The next question comes from Ms. Jasudha Kripalani from Reuters News. Over to you ma'am.

Jasudha Kripalani: Prasad, this is Jasudha Kripalani. I wanted to check on Maytas' status with the project. There was some newspaper report about them pulling out of it. I need to check with you if they intimated anything of this to you. Also, what exactly is your pie in the project, I mean, if you have to leave the consortium partner, does not that mean you put in money as well, and how much money have put in so far?

P. Trivikrama Prasad: Ma'am, I would like to reiterate that we have not put any money in this project so far.

Jasudha Kripalani: No money of yours has gone in at all.

P. Trivikrama Prasad: No guarantees too. No guarantees have been given by us, it was all given by Maytas, and it was just an understanding that we will invest up to 16%, and by the end of the time the project goes through, it will be 8%, we don't even have any formal agreement as far as that goes, but now they have to finish their financial closure by the end of March, and which may not take place. I have to presume that the Government is going to cancel the concession.

Jasudha Kripalani: Okay, would you be interest in bidding for it again?

P. Trivikrama Prasad: No, we are not interested. Definitely not.

P. Trivikrama Prasad: This was done totally by Maytas. We will not be interested.

Jasudha Kripalani: You will not be interested, okay. Thank you.

P. Trivikrama Prasad: Thank you.

Moderator: Thank you very much ma'am. I repeat, participants are kindly requested to press * followed by 1 to present a question. Next, we have a follow up question from Shirish Kumar Reddy from PCS Securities. Over to you sir.

Shirish Kumar Reddy: Sir, I just wanted to ask you about the debtors position.

G. R. K. Prasad: Value of Debtors as of 31st of December is about Rs.80 crore.

Shirish Kumar Reddy: Okay, so you have recovered a lot Rs.156 to Rs.80 crore.

G. R. K. Prasad: There is no issue at all as far as debtors, it is routine.

Shirish Kumar Reddy: What is the coal inventory that we have now?

G. R. K. Prasad: Value of coal as of 31st December is about Rs. 30 crore.

Shirish Kumar Reddy: For how many months?

G. R. K. Prasad: That might be about 45 days, 1-1/2 months.

Shirish Kumar Reddy: So, it has decreased from 2 months to 45 days.

G. R. K. Prasad: We have delivery orders which are unexecuted, so those things will go on.

Shirish Kumar Reddy: So, coal position is not so dicey now, which means like you will be getting coal, there is no problem.

G. R. K. Prasad: No, no, there is not a problem.

Shirish Kumar Reddy: Okay sir, thank you.

Moderator: Thank you very much sir. At this moment, I would like to handover the floor back to P. Trivikrama Prasad for final remarks. Over to you sir.

P. Trivikrama Prasad: Thank you very much to all of you for participating in this discussion, and as far as if you have any further doubts on these matters, you could always keep in touch with G. R. K. Prasad or with me, and we would be glad to clarify. I think the Maytas issue has been on the minds of many people.

I would like to reassure you as far as our investment goes, there is absolutely nothing in it, and we have no guarantees or any other amounts pending with them, and this is very, very clear on that part of it that we have no, absolutely no amount pending with or which may come on to us, that I would like to make it very clear.

If there is anything still in your mind, you could always call and verify because what you are seeing in papers is more a speculation and each one is making their own conclusions and talking about it, and writing about it what they hear in courts or in hearsay. But as far as we go this is very clear. Thank you so much.

Moderator: Thank you very much sir. 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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