



## Fourth Quarter and Annual Results Conference Call Financial Year 2009 June 3, 2009

**Moderator:** Good morning Ladies and Gentlemen. Welcome to Nava Bharat Ventures Limited Fourth Quarter and Annual Results Conference Call. I am Priyanka, the moderator for this conference. 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 handover to Siddharth 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 Fourth Quarter and Annual Results Conference Call. We are joined today by P. Trivikrama Prasad, Managing Director; and G. R. K. Prasad, Director, Finance and Corporate Affairs. I would now like to call upon Trivikrama Prasad to share his views.

**P. Trivikrama Prasad:** Shall I go ahead?

**Siddharth Rangnekar:** Yes please.

**P. Trivikrama Prasad:** Good morning to everyone. Thank you once again for joining us today. Last year was a remarkable year for our company, turning out record performance despite the adverse business scenario prevailing in the Ferro Alloy industry. I would describe our performance as healthy, in which sales for financial year 2009 stood at Rs. 12,764 million from Rs. 9,254 last year. Largely due to our decision to push higher sales of power, the net profit of the year grew at Rs. 4,551 million this year corresponding to Rs. 3,148 million for 2008. But quarter 4 performance was subdued on account of global meltdown and specifically regarding Ferro Alloy business. We have started allocating more power for merchant sales, when we saw the slowdown coming in the Ferro Alloy segment. Out of the 1350 million units of power this year, merchant sales were about 75%. Moving ahead, plans are underway to achieve the financing and the fuel supply for our 364 MW power units in AP and Orissa.

We expect Indonesian mine to commence extraction of coal in a few months from now. Our Singapore subsidiary has offtake agreement to the extent of 75% of this mine. For the financial year 2010, the volume jump comes from power from the new power plants commissioned last year. Further only minimal captive consumption is envisaged during this year and so power revenues are slated to increase. In our Ferro Alloy business, we reported a decent performance in the first half of the year due to high realizations. We undertook a planned reduction in volumes in an uncertain environment and increased power sales. Our dynamic business model revolves around value addition for power. Efforts in prospecting for mining manganese ore are underway in Indonesia, which would bring in some certainty in our future smelting operations.

We consider integrated sugar operations including cogeneration of power will have an upswing in the current year owing to a shortage of sugar. Power from this unit is nonconventional and is green energy on which great emphasis is being laid by us. We would like to maintain a

percentage of our power generation in future for green power. With that, I conclude my discussion. We would now like to open the session for questions and answers.

**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. 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 Ruchit Mehta from HSBC.

**Ruchit Mehta:** Hi, good morning. Just from the Ferro Alloy side of the business, can you give a sense what was the average realization that you saw last year and what is it right now?

**G. R. K. Prasad:** Average realizations for last year are academic. Current realization is around Rs. 40,000/tonne for chrome and about Rs. 38,000/tonne for manganese.

**Ruchit Mehta:** And silico manganese?

**G. R. K. Prasad:** This is average for silico manganese and ferro manganese. Between them, it is around Rs. 38,000/ tonne.

**Ruchit Mehta:** Rs. 38,000/tonne, and corresponding what is the current raw material cost that you are incurring?

**G. R. K. Prasad:** We have written down the value of raw material cost in our annual accounts for 2008-09. Now, the restated costs are around Rs.7,000/tonne for chrome ore, and about the same for manganese ore also.

**Ruchit Mehta:** Concerning the environment, what kind of volumes are you seeing right now. I mean, what is the volume outlook for this business in the current year?

**G. R. K. Prasad:** We have already made this clear that we would like to reduce the volumes because the market conditions are not conducive. And we would run one furnace for a part of the year for production of manganese alloys during this year. It would be about 30% and roughly translates to about 20,000 - 25,000 tonnes of manganese alloys.

**Ruchit Mehta:** And of chrome?

**G. R. K. Prasad:** For Chrome, we have no plans to resume production.

**Ruchit Mehta:** So, only 20,000 to 25,000 metric tonnes in the current year you look like producing?

**G. R. K. Prasad:** Yes.

**Ruchit Mehta:** Sir, therefore, so just on the power just to get back your power plants, some of them are structured in such a manner that you have to consume a particular level, if I am not mistaken, 50% odd percent internally for you to do any external sales, so does that not, I mean lower production because of restrictive of capability to sell power for outside?

**G. R. K. Prasad:** Well, the restriction is reckoned on a unit basis, and on annualized basis. So, if you reckon the 114-MW in Andhra Pradesh, it comprises 3 units. One 50-MW and two 32-MW units. Similarly, in Orissa, we have two units. One 30 and one 64 MW.

**G. R. K. Prasad:** Right. So, this consumption to make it a captive is done on an annualized basis, and on unit basis. So, we have a liberty to choose unit wise generating plant. So, accordingly we have decided to dedicate one 32-MW power plant in AP for captive purposes and use the rest for outside sale.

**Ruchit Mehta:** But this one will restrict even the merchant sales that you can do and will it potentially not reduce the per unit's realization that you get?

**G. R. K. Prasad:** How does it reduce?

**Ruchit Mehta:** Would you not be, I mean, merchant sale, would you not be required to sell it to the grid itself then?

**G. R. K. Prasad:** It is not our requirement to sell it to grid or something. It gives us freedom to sell the power outside of captive consumption.

**Ruchit Mehta:** And what are the current realizations that you are seeing in power?

**G. R. K. Prasad:** Power realizations are distinctly low compared to last year. Of course, prior to elections; we have had a good run on realizations. Now, for external sale, we are averaging around Rs.5 .

**Ruchit Mehta:** Net of wheeling everything or?

**G. R. K. Prasad:** Yes, net of wheeling. This is external sale, clear external sale.

**Ruchit Mehta:** Sure, and internally you are selling at what, Rs.2.90/unit or Rs.3/unit .

**G. R. K. Prasad:** Rs. 2.80/unit. Part of the external power which goes to GRIDCO fetches us Rs. 2.30/unit.

**Ruchit Mehta:** External that means third party is Rs.5/unit.

**G. R. K. Prasad:** Correct.

**Ruchit Mehta:** And to the GRIDCO you are selling at Rs.2.30/unit?

**G. R. K. Prasad:** Right.

**Ruchit Mehta:** And internally you are selling at Rs. 2.90/unit?

**G. R. K. Prasad:** Rs.2.80/unit

**Ruchit Mehta:** How much of volumes goes to the GRIDCO?

**G. R. K. Prasad:** 20 MW.

**Ruchit Mehta:** 20 MW goes there, and 32 MW gets consumed internally?

**G. R. K. Prasad:** 32 is dedicated for....

**Ruchit Mehta:** Dedicated for internal and the balance is....

**G. R. K. Prasad:** We do sell a part of that power also.

**Ruchit Mehta:** And just in terms of your cost structure, I mean, what is it right now, considering what our coal costs, everything put together?

**G. R. K. Prasad:** At the current coal cost, it is about Rs. 2.10/unit to Rs. 2.20/unit. It depends upon the coal mix. It varies about a few paise. For the 20-MW power plant, the cost is much higher. That would be using the imported coal, and being a small plant, cost structure goes around Rs. 3.80/unit.

**Ruchit Mehta:** Once the Indonesian coal comes into play, how much will be your cost reduced?

**G. R. K. Prasad:** Indonesian coal is part of supply strategy.

**Ruchit Mehta:** Does not give any contracts, etc.?

**G. R. K. Prasad:** To keep the prices on control, so we will have fixed price formula. Rather than having some volatility on that account.

**Ruchit Mehta:** Thank you so much.

**G. R. K. Prasad:** Thank you Ruchit.

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

**Poonam Sharma:** Good morning sir.

**G. R. K. Prasad:** Good morning.

**Poonam Sharma:** Sir, just wanted to know how is your....are you ramping up your power capacity going forward, and what is the kind of capex we are looking at for the same?

**G. R. K. Prasad:** Well, we have a plan to set up a new 64-MW power unit in Orissa under the Nava Bharat Ventures brand. That is estimated to cost around Rs. 232 crore.

**Poonam Sharma:** And expected to be operational by?

**G. R. K. Prasad:** This should be commissioned by December 2010.

**Poonam Sharma:** So only this one?

**G. R. K. Prasad:** In fact, it will have power generation for FY '11.

**Poonam Sharma:** And this completely for merchant power basis?

**G. R. K. Prasad:** This is for merchant power deployment.

**Poonam Sharma:** And financial closure, etc., for the same have been done?

**G. R. K. Prasad:** Yes, that is done. Financial closure is done for this. And the actual groundwork has also commenced.

**Poonam Sharma:** From the current capacity of 227 MW?

**G. R. K. Prasad:** 228 MW.

**Poonam Sharma:** 228 plus 64 will be the capacity by 2010?

**G. R. K. Prasad:** Yes, and aside from this, we have through our subsidiary taken up, implementation of two 150 MW units. These units are coming in A.P., one where we have the existing 114-MW plant. And the other one where we have the 20-MW power plant, and these units are expected to cost us around Rs.1320 crore.

**Poonam Sharma:** How much sir?

**G. R. K. Prasad:** Rs. 1320 crore. We expect to achieve the financial closure sometime in October.

**Poonam Sharma:** And this will be operational by?

**G. R. K. Prasad:** From the date of ordering which is expected sometime in September, we would have about 30 months implementation time.

**Poonam Sharma:** So these are your plans on the power front?

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

**Poonam Sharma:** What would be the current debt on books?

**G. R. K. Prasad:** Current debt on books including FCCB is Rs. 430 crore, of which FCCB is about Rs.140 crore.

**Poonam Sharma:** Rs.140 crore. I think my questions are answered. Thank you so much.

**Moderator:** Thank you very much ma'am. Next in line, we have Neeraj Shah from Centrum Broking. Over to you sir.

**Neeraj Shah:** Sir, I have got one specific question. Now, this year, you are talking about that you will be mostly doing power sales, so the growth you see, it is only from power in this year, I mean from where the growth will be coming in the revenues and profits or you don't see much growth in this year and only when the next year and this additional unit of 64-MW comes from.

**G. R. K. Prasad:** Well, the growth this year would come from power only, which is again related to the new power plants which got implemented during the last year. For example the 64-MW

unit came on stream in July, and the 20-MW unit came in March 2009. Those two units will have the full run this year and secondly we have reduced the production of Ferro Alloys. So, to that extent whatever repatriation of power to merchant sales, the volume of power sales will go up with a slightly higher realization.

**Neeraj Shah:** So you have currently about 230-odd MW?

**G. R. K. Prasad:** 228 MW coal side and 9 MW of part of sugar unit.

**Neeraj Shah:** So, this will be fully, you say that mostly it will be what kind of percentage we can say that, it will be 70%, it will be for sale and 30% for captive consumption, in this year, how we can take?

**G. R. K. Prasad:** On an average, I would expect we would have around 180 MW of sales.

**Neeraj Shah:** 180 MW of sale, and all your power plants are running at what kind of PLF?

**G. R. K. Prasad:** 90 plus. Orissa of course, we have a small issue of evacuation there, where the power plant is running around 85% PLF.

**Neeraj Shah:** What kind of cash on the books do you have?

**G. R. K. Prasad:** As on March, this is about Rs. 335 crores on standalone basis.

**Neeraj Shah:** And so this year, this kind of growth will be coming from power, and by next year, this 64 MW will be by December 2010, you are expecting, so there will be some growth coming from that?

**G. R. K. Prasad:** Yes. Next year, one is the power generation coming from the new 64-MW unit. And part of the coal trading benefit should also come....yes.

**Neeraj Shah:** Indonesia?

**G. R. K. Prasad:** Yes. From Indonesia through our Singapore subsidiary.

**Neeraj Shah:** And whatever the units you are setting up here, you are getting this coal from commercially, I mean Coal India Limited, or you have got linkage or what kind of arrangement is there.

**G. R. K. Prasad:** For 64-MW unit which is being implemented in Orissa, the primary fuel is washery rejects. We would also blend it with coal from e-auction and for the new 150-MW units which we are setting up, the one which is closer to Kakinada Port will use predominantly imported coal.

**Neeraj Shah:** Imported coal

**G. R. K. Prasad:** And the one which is coming up beside our 114-MW power plant will use Indian coal, washery rejects, and partly imported coal.

**Neeraj Shah:** So, this imported coal, we can assume that it will be from your own Indonesian subsidiary or it will be from anywhere, I mean it will be kind of trade off, you will be selling

Indonesian coal at whatever the international prices and that profit will be separate from whatever the best terms and conditions you get for your imported coal from any other sources.

**G. R. K. Prasad:** Of course, that is a commercial decision which we will be doing on a dynamic basis.

**Neeraj Shah:** And what kind of Indonesia coal reserves and any idea about that, what is the thing you have got there?

**G. R. K. Prasad:** The mine where our Singapore subsidiary has 75% offtake rights, has about 10 million tonnes.

**Neeraj Shah:** 10 million tonnes of reserves.

**G. R. K. Prasad:** Of the coal reserves, and this mine has some adjacent area, which is under exploration license. It has resources of about another 20 million tonnes.

**Neeraj Shah:** When you will expect this digging, I mean production from that coal to be starting exactly?

**G. R. K. Prasad:** We are going through the mining preparation now, so it would take maybe a couple of months for the coal mine to be ready for extraction. Maybe you can say in about 4 months' time we should expect the first shipment to come.

**Neeraj Shah:** First shipment, and what is the target you are trying to look at annual basis or monthly kind of production in those from Indonesia?

**G. R. K. Prasad:** The target extraction for first 6 months is 50,000 tonnes a month. Then, it will go up to 1 lakh tonnes post the 6 months for the next 6 months. After 1 year, we would have close to 1 lakh to 1-1/2 lakhs tonnes of extraction a month.

**Neeraj Shah:** From next to next year?

**G. R. K. Prasad:** Yes.

**Neeraj Shah:** And what is the current international prices of coal going on, and what is your going to be the cost as per...I mean, is it near to the port, what kind of logistics in Indonesia this coal mines have got?

**G. R. K. Prasad:** The mine is closer to the port.

**Neeraj Shah:**

**G. R. K. Prasad:** As you might be knowing, currently, the coal costs are lower.

**Neeraj Shah:** Yes, around 60 dollars?

**G. R. K. Prasad:** Yes, around that.

**Neeraj Shah:** That is CFR cost?

**G. R. K. Prasad:** Yes, and to our plant, it costs us around 65 dollars, that where our power plant is operating. We expect to hold on to this price, so whatever trade off is there will be captured at the Singapore company.

**Neeraj Shah:** What about the actual cost in your Indonesian mines, I mean what kind of cost you are looking at per tonne basis.

**G. R. K. Prasad:** Unless the extraction commences, we would not really have good hang on the number.

**Neeraj Shah:** You mean to say that 60 dollars per tonne, it will be...

**G. R. K. Prasad:** About 40 dollars, I expect the cost would be.

**Neeraj Shah:** Thanks a lot sir. Thank you very much.

**Moderator:** Thank you very much sir. Next in line, we have Ajay Vora from Enam Asset Management. Over to you sir.

**Ajay Vora:** Yes, hi, good morning sir. Just one thing I think I missed out. We plan to produce around 25,000 tonnes of manganese, right?

**G. R. K. Prasad:** Right.

**Ajay Vora:** What is the current capacity?

**G. R. K. Prasad:** For manganese, we have 4 smelters which can produce 125,000 M.T.

**Ajay Vora:** 125,000.

**G. R. K. Prasad:** Yes.

**Ajay Vora:** And is it that we do not plan to produce any chrome because there is no demand or the prices are too depressed?

**G. R. K. Prasad:** Well, demand is at least reasonable, but prices are not commensurate.

**Ajay Vora:** So, you said around Rs.40,000 is the price. So, what would be the cost of production for that?

**G. R. K. Prasad:** At this price and given the current cost of ore and coke and other things, we would hardly break-even.

**Ajay Vora:** You do not see any upside to prices on these levels?

**P. Trivikrama Prasad:** You see, last year, in August, nobody expected that there was going to be a turnaround like this in upsetting prices of Ferro Alloys. You never know, 6 months from now, it could happen. See, as on date, if we compare with power sales with the Ferro Alloy sales, that it is the better operation from Ferro Alloy sales. If there is going to be upside, it does not stop us from changing over because we will have the raw materials and we will have the power available and everything is set for us to take advantage.



As on today, just for this quarter and for the next quarter, we would not produce, but if we find that there is to be a big upswing and as people talk that with all the money going into infrastructure and steel capacities and cement and all these things are going to be...consumption to go up, then definitely we would go into it. It is not like it is fixed, we will not do it. Our model has been, right from beginning that whichever is better for us we would shift from this side to that side.

**Ajay Vora:** Just a further clarity on the power capacity we are having right now. You said we are having 228 MW right now, right?

**G. R. K. Prasad:** Yes.

**Ajay Vora:** So, can you just give a split, like one is 114-MW?

**G. R. K. Prasad:** 114 in AP, 94 MW in Orissa, and 20 MW again in AP.

**Ajay Vora:** Again, in AP?

**G. R. K. Prasad:** Yes.

**Ajay Vora:** Now, out of this 114 MW which is in AP, now where do we plan to use, make the captive consumption and which all will be available for merchant sales?

**G. R. K. Prasad:** Out of 114, the captive consumption could be about 20 MW. And we will have another 14 and odd MW for auxiliary consumption in 114 MW. So that leaves out 80 MW which is Merchant sales, and out of the 20-MW power plant, if you leave out the auxiliaries of about 3 MW, 17 MW will be available for sale. And out of this 94 MW in Orissa, we have a limitation on evacuation till at least July, so we would be able to sell roughly about 70 MW and the balance will be auxiliary consumption. And from July, hopefully it should go up to 80-MW, so that is the plan.

**Ajay Vora:** And sir, one more thing, on this all the power plants, which all power plants we have the coal linkages?

**G. R. K. Prasad:** We have linkages for the existing power plants excepting for this 20-MW power plant and part of the other power plants are not covered by linkage, so if you leave out 40 MW or so, we have linkages for about 180 MW.

**Ajay Vora:** Complete coal linkages?

**G. R. K. Prasad:** Yes.

**Ajay Vora:** No, because you said that you will be importing coal...

**G. R. K. Prasad:** For the 20 MW, yes.

**Ajay Vora:** Can you just repeat what is the capex for the power plant which you are setting up apart from 64 MW which is in Orissa, you said some other plant is also coming up.

**G. R. K. Prasad:** That is two units of 150-MW capacity.

**Ajay Vora:** So, total 300 MW.

**G. R. K. Prasad:** That is estimated to cost Rs.1320 crore.

**Ajay Vora:** This is where, in Orissa?

**G. R. K. Prasad:** In Andhra Pradesh.

**Ajay Vora:** And how about the further linkages for these projects?

**G. R. K. Prasad:** For one unit which is coming up closer to Kakinada port, the predominant fuel will be imported coal. For the one which is coming up beside our 116-MW, it will be washery rejects and Indian coal predominantly.

**Ajay Vora:** And just last thing sir. This 25,000 tonnes of manganese which you have planned to see, currently the prices are Rs. 78,000/tonne right?

**G. R. K. Prasad:** No.

**Ajay Vora:** Rs. 38,000/tonnesorry.

**G. R. K. Prasad:** Rs. 38,000/tonne yes.

**Ajay Vora:** And what would be our cost of production for that?

**G. R. K. Prasad:** At the write-down cost, I think it is around Rs. 36,000/tonne plus.

**Ajay Vora:** Any debt repayment we have scheduled in this year?

**G. R. K. Prasad:** Debt repayment is ongoing.

**Ajay Vora:** So how much do you plan to pay this year?

**G. R. K. Prasad:** Our repayment on an annualized basis is about Rs.40 and odd crore.

**Ajay Vora:** Thank you very much sir.

**G. R. K. Prasad:** Welcome.

**Moderator:** Thank you very much sir. Next in line, we have Rahul Bhangadia from Lucky Securities. Over to you sir.

**Rahul Bhangadia:** Sir, this question was regarding your merchant power business. How much of your sales do you get from your day-after market or do you have longer term or slightly medium term contracts in the sense of 1 month or 3-month term?

**G. R. K. Prasad:** We have been utilizing the quarterly contracts mostly.

**Rahul Bhangadia:** So, most of your power sales come from your quarterly contracts?

**G. R. K. Prasad:** Yes.

**Rahul Bhangadia:** What is your sense, how much of the power which is actually traded in the country, is traded in the one-day market and how much of it is slightly longer term?

**G. R. K. Prasad:** No, day ahead is not an option which we would choose unless we have an issue on scheduled power not going or something like that, that is a fall-back option which we would use.

**Rahul Bhangadia:** This question came up sir because we have been observing that the day-ahead markets have been trading power at lower and lower rates for the last few days now. So, that is the reason that this question came about, and the second question that comes from this is how correlated are the longer-term markets ultimately to these day-ahead markets?

**G. R. K. Prasad:** Day-ahead is not associated with volumes, that much I can tell you because when you look at exchange related rates which are more representative of day-ahead rates, you would not find bigger volumes though people, I mean, utilities certainly use them as a benchmark to run the price down. But wherever bilateral contracts exist, they are much above that, and also the general feeling amongst the traders is that these rates also are likely to firm up in the next 15 days because what we see is an immediate aftermath of post-election scenario where everybody is trying to reduce by abstaining, I mean by observing demand management.

**Rahul Bhangadia:** So you expect the day-ahead market also to pick up in the next few weeks.

**G. R. K. Prasad:** I expect so, that is considering all the traders anyway, so not our view alone.

**Rahul Bhangadia:** That was about it sir. I will come back if I have something more. Thank you.

**Moderator:** Thank you very much sir. Next in line, we have Priyadarshan Jha from Standard Chartered. Over to you sir.

**Priyadarshan Jha:** Good morning sir.

**G. R. K. Prasad:** Good morning.

**Priyadarshan Jha:** What is the status of 1050 MW power plant in Orissa? I think there was some land acquisition problem there, is it still there?

**P. Trivikrama Prasad:** Now that you have a stable government there, we should be getting over that issue. That is meaning the process, we have been asked to release from funds for that, 25% or 30% of the land, and that is in the process. Dealing with the local people, it is something else, but dealing with the lands from the government point of view, it has been done.

**Priyadarshan Jha:** That is from my side sir. Thank you.

**Moderator:** Thank you very much sir. Next in line, we have K. C. Suri from Span Capital Services. Over to you sir.

**K. C. Suri:** Just wanted some clarification with regards to your FCCB. What is the conversion price and when is it due for redemption?

**G. R. K. Prasad:** The conversion price is about Rs.129 and redemption is scheduled for October 2011.

**K. C. Suri:** Right, thanks.

**Moderator:** Thank you very much sir. Next in line, we have Salil Desai from IDFC-SSKI Securities. Over to you sir.

**Salil Desai:** Sir, I had a query on the evacuation of power. Right now, we must be connected to the grid for drawing power, so are we sending out power through the same network or how is it working?

**G. R. K. Prasad:** Currently, our connectivity is used predominantly for export. Though we have a contracted demand per start-ups and emergency supply.

**Salil Desai:** Alright, and so sir, if we, in case we are expanding say at the same location, then do you think the existing transmission will be sufficient or we need to do more capex on that also?

**G. R. K. Prasad:** Yes, we need to do a separate evacuation network on a 220-KV basis. That is included in that project cost.

**Salil Desai:** So your capex plan includes this also sir?

**G. R. K. Prasad:** Yes.

**Salil Desai:** Right sir, that is all, thank you very much.

**Moderator:** Thank you very much sir. Next in line, we have Jignesh Kamani from MF Global. Over to you sir.

**Jignesh Kamani:** Yes sir, just update on the Indonesian coal mine. You mentioned that there is additional area which is close to 10 million, so how much capex we need to explore this area, and what kind of regulation we need to take from the Indonesian government?

**G. R. K. Prasad:** Well, on capex, I can't give you a number because as I told you it is at a very nascent stage. Regulation wise, as you might be knowing, there have been some changes in Indonesian mining law.

**Jignesh Kamani:** Very true.

**G. R. K. Prasad:** Which in some context, will favor our investment, investment from foreign companies. So, we expect that change, also helps us in our consolidation of activity in Indonesia.

**Jignesh Kamani:** So, when do we expect any mining activity to start from this additional 10 million reserve?

**G. R. K. Prasad:** For this 10 million reserve mining, you call the survey work and other things are done. So, we expect to have the extraction commencing about 3 months' time.

**Jignesh Kamani:** And in addition, 10 million also?

**G. R. K. Prasad:** I am talking about 10 million.

**Jignesh Kamani:** If you take about the additional 10 million, it is.....

**G. R. K. Prasad:** No, we want to first have the experience whatever area we have already contracted. What we did is we hold a first-right-of-refusal for the balance area, which has the 20 million tonnes reserve.

**Jignesh Kamani:** Very true.Thanks a lot.

**G. R. K. Prasad:** Thank you.

**Moderator:** Thank you very much sir. Next in line, we have Dipen Sheth from Brick Securities. Over to you sir.

**Dipen Sheth:** Hi Prasad, this is Dipen Sheth.

**P. Trivikrama Prasad:** Hi.

**G. R. K. Prasad:** Hi.

**Dipen Sheth:** Just wanted a little clarification. I was looking at your standalone versus consolidated numbers, and the only material difference I see is in the Ferro Alloy segment, right?

**G. R. K. Prasad:** Yes.

**Dipen Sheth:** Now, if I just take the difference, in the 2009 full year performance, standalone versus consolidated, it seems that in Ferro Alloy, the consolidation leads to a topline increase of Rs.69 crore.

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

**Dipen Sheth:** And the consequent PBIT increase, the segment results increase is as much as Rs.64 crore.

**G. R. K. Prasad:** Yes.

**Dipen Sheth:** Now, I find this very perplexing, if you know what I mean.

**G. R. K. Prasad:** Yes, I mean, I perfectly share your concern. The only explanation is that all this resulted out of the translation reserve. For our Singapore subsidiary, predominantly in the Ferro Alloy business trading, we have to restate values as at the closing rate of the year end. So, the resultant translation reserve is about Rs.61 crore.

**Dipen Sheth:** So that got almost entirely added to the profits.

**G. R. K. Prasad:** Exactly. So, that has to be ignored for the purpose of reading the numbers. Otherwise, there is no change.

**Dipen Sheth:** Also, we would have as a consequence of the foreign exchange rate fluctuations during the year, now we would have routed our, you know, profits or losses arising out of that on our FCCBs, outside of the profit and loss account, and straight to reserves, am I right?

**G. R. K. Prasad:** No. For FCCBs, we have not done any MTM provision though we did for our external commercial borrowings. On the view is that because FCCBs are optionally convertible, and redemption is contingent upon they not being converted and so no MTM loss is taken.

**Dipen Sheth:** So, no MTM loss was taken, and they are seen as dilutive given the conversion price.

**G. R. K. Prasad:** Yes. If you look at the conversion price and the underlying market price, it is as good as a potential dilution there.

**Dipen Sheth:** Right, that will be all, thanks.

**Moderator:** Thank you very much sir. Next in line, we have Vishal Chandak from Daiwa Securities. Over to you sir.

**Vishal Chandak:** Sir, just a couple of question. Could you please let us know what is the mix of it in terms of external and domestic borrowings. Rs. 430 crore, you mentioned, is it only debt? Out of which FCCB is Rs.140 crore.

**G. R. K. Prasad:** Yes.

**Vishal Chandak:** What would be the balance debt like in terms of ECB and domestic?

**G. R. K. Prasad:** Out of the other loans the foreign currency loan are about Rs.105 crore. The rest are all in rupee.

**Vishal Chandak:** That is all from my side. Thank you sir.

**G. R. K. Prasad:** Thank you.

**Moderator:** Thank you very much sir. Next in line, we have a followup question from Ajay Vora from Enam Asset Management. Over to you sir.

**Ajay Vora:** Just one last question sir. What is the chrome capacity?

**G. R. K. Prasad:** For Chrome we have two smelters which are capable of producing 75,000 tonnes.

**Ajay Vora:** 75,000 tonnes?

**G. R. K. Prasad:** Yes.

**Ajay Vora:** Thank you sir.

**Moderator:** Thank you very much sir. Next in line, we have a followup question from Ruchit Mehta from HSBC. Over to you sir.

**Ruchit Mehta:** Just wanted to clarify, your debt position, total is Rs. 430 odd crore?

**G. R. K. Prasad:** Correct.

**Ruchit Mehta:** And out of that Rs.140 crore is the FCCB portion of it?

**G. R. K. Prasad:** Correct.

**Ruchit Mehta:** And just a bit on that Rs.1320 crore of spends on the 150-MW power project that we have, what will be the debt component on it and how much equity do we need to fund?

**G. R. K. Prasad:** Sorry, can you come back Ruchit again?

**Ruchit Mehta:** You know, the new 300-MW of power that we are adding in AP, you know, you said the project cost was Rs.1320 crore, what kind of debt requirement will be there for this project?

**G. R. K. Prasad:** About Rs. 920 crore.

**Ruchit Mehta:** And the equity portion has been tied up or?

**G. R. K. Prasad:** Equity portion is not tied up, it is meant to be met out of internal realizations.

**Ruchit Mehta:** And on 64-MW how much are you spending in terms of capex?

**G. R. K. Prasad:** That is out of Rs. 232 crore, Rs.162 crore will be rupee debt, which is tied up. Rs.70 crore is the equity portion.

**Ruchit Mehta:** Currently, what kind of ROI are we getting on these projects, I mean, average on the power plants?

**G. R. K. Prasad:** Well, we have assumed a realization of about Rs. 4.50/unit. So based on that, it is about 35%.

**Ruchit Mehta:** 35% ROI you are getting?

**G. R. K. Prasad:** Yes.

**Ruchit Mehta:** And any update on the Hyderabad Metro project which you had some stake in along with Maytas.

**G. R. K. Prasad:** I think it is at a standstill.

**P. Trivikrama Prasad:** There is no financial involvement from our side.

**G. R. K. Prasad:** No commitment from our side.

**Ruchit Mehta:** So, there is nothing that you have already invested into the project up till now.

**G. R. K. Prasad:** No, nothing. Neither have we invested nor have we made any commitment to invest.

**Ruchit Mehta:** And what is the progress on that real estate project that we had, on that IT-SEZ that we were planning?

**G. R. K. Prasad:** That has been entrusted to Mantri Developers of Bangalore. So they are going through the process of getting the requisite clearances, and they started this physical work also on site to some extent. But as you know, the IT and ITEs scenario has undergone significant change of late, so we expect some kind of delay on that project.

**Ruchit Mehta:** When do you anticipate the first batch of the construction to get completed and become available for sale?

**G. R. K. Prasad:** Three years from now I think, that will be it.

**Ruchit Mehta:** Fiscal 12?

**G. R. K. Prasad:** Three years from now.

**Ruchit Mehta:** Three years from now, , and just wanted to understand, what is your current...towards the selling price that you have right now in that area? How different is it from say last year?

**G. R. K. Prasad:** You are talking about selling price?

**Ruchit Mehta:** Yes sir.

**G. R. K. Prasad:** Of the land?

**Ruchit Mehta:** No, per square feet, I mean, whatever you have assumed in your model. I mean, what is the current market price of that land right now?

**G. R. K. Prasad:** Let us be candid about this. This is being done by Mantri on their own course.

**Ruchit Mehta:** So you have got no role.

**G. R. K. Prasad:** Without recourse through Nava Bharat or any other sponsors.

**Ruchit Mehta:** So you only hold that economic interest in that SPV, nothing else.

**G. R. K. Prasad:** No more exposure as far as we are concerned. The SPV gets about 25% of the developed space in phases as and when such phase is ready.

**Ruchit Mehta:** Thank you.

**Moderator:** Thank you very much sir. Next in line, we have a followup question from Dipen Sheth from Brick Securities. Over to you sir.

**Dipen Sheth:** Hi, just wanted to check two quick things. One is what is the tax regime expected over the next few years not just next year, and the fact that we have paid even less than...and effective rate which is even less than MAT this year, confuses me.



**G. R. K. Prasad:** The effective tax rate this year less than MAT because there is a MAT....

**Dipen Sheth:** Credit write-back, yes.

**G. R. K. Prasad:** Otherwise, it was a MAT credit, and we expect to, have this, for at least three years.

**Dipen Sheth:** So three more years, I can safely assume that you will pay something like 9 or 10% effective tax rate?

**P. Trivikrama Prasad:** No, you can take MAT.

**Dipen Sheth:** I can assume at least.

**G. R. K. Prasad:** Yes, MAT is more relevant.

**P. Trivikrama Prasad:** That is more relevant.

**Dipen Sheth:** And the second thing is that outside of Ferro Alloys, sugar, and power, which is the three performing businesses that we have, we have exposures, one to of course the SEZ or any other investments that we might have made. In terms of you know what is our total exposure of funds committed to all these, you know, non-Ferro Alloys, non-power, non-sugar businesses, how much of that are we carrying on the balance sheet in terms of rupees, how much of capital employed exists in those other areas?

**G. R. K. Prasad:** No, other than the power, sugar, and I mean Ferro Alloys, the only investment we made is into that land, where this SEZ is coming up. That is already done. So, no more capital deployment is necessary.

**Dipen Sheth:** How much of capital is deployed there?

**G. R. K. Prasad:** That is about Rs.60 crore.

**Dipen Sheth:** About Rs. 60 crore, and any progress on....I believe we had a surplus chunk of land in Hyderabad Metro as well, in the city that is.

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

**Dipen Sheth:** About 12 acres if memory serves right.

**G. R. K. Prasad:** No, about 65 acres.

**Dipen Sheth:** 65 acres. So, any progress in terms of, you know, trying to do something with that land?

**P. Trivikrama Prasad:** Do you think it is right time to do something, ...so, we are going a little slow on that you know because current real estate is really in....

**Dipen Sheth:** In the doldrums, Yes. In any case, it was industrial land if I am right?

**G. R. K. Prasad:** I think we can take conversion as and when the opportune time comes.

**Dipen Sheth:** But it is anyway not a big issue for us right now. , thanks.

**Moderator:** Thank you very much sir. Participants who wish to ask questions, please press \*1 on your telephone keypad now. Next in line, we have Vishal Chandak from Daiwa Securities. Over to you sir.

**Vishal Chandak:** Sir, just a followup question. Let us know what is the capex guidance for FY '10 and FY '11?

**G. R. K. Prasad:** FY '10 and FY '11 relates to the deployment for power only.

**Vishal Chandak:** How much do you?

**G. R. K. Prasad:** Roughly, you can take 30% of the project cost will get deployed in each of these years.

**Vishal Chandak:** 30% each in both the years?

**G. R. K. Prasad:** Yes.This would include debt as well as equity.

**Vishal Chandak:** And that would be predominantly for 300-MW and 64 MW.

**G. R. K. Prasad:** Correct.

**Vishal Chandak:** Thanks.

**Moderator:** Thank you very much sir. Next in line, we have Avinash Gupta from Bonanza Portfolio. Over to you sir.

**Avinash Gupta:** Good afternoon. One small query. This Ferro Alloys business, will it be profitable next year, given that 25,000 tonnes of production and the current rates, including ferrochrome?

**G. R. K. Prasad:** We have to do the production for the reason that there are certain months where power evacuation could become difficult, so it is more an opportunistic decision to produce Ferro Alloys, and to the minimum extent though I would not say they are going to yield the same kind of profits as we see in power.

**Avinash Gupta:** That means on the whole we expect the rates should not change. The rates remain where they are, we expect to lose money on ferrochrome business.

**G. R. K. Prasad:** Sorry.

**Avinash Gupta:** What I am saying is if the rates do not change, as you mentioned that it could be highly volatile, in that case at the current rates, the prospects of generating profits in Ferro Alloy business is limited.

**G. R. K. Prasad:** Limited, yes, very much.

**Avinash Gupta:** Another thing, there is a small clarification. You have mentioned that the cost of the power, the coal cost is Rs.2.10 , Rs.2.20 per unit?

**G. R. K. Prasad:** It is not coal cost, it is full cost for generation.

**Avinash Gupta:** Full cost of production?

**G. R. K. Prasad:** Yes.

**Avinash Gupta:** That was for the 20-MW unit?

**G. R. K. Prasad:** No, for 208 MW. For 20 MW, it is about Rs.3.80.

**Avinash Gupta:** 20 MW is about 3.80?

**G. R. K. Prasad:** Yes.

**Avinash Gupta:** Why to that extent sir?

**G. R. K. Prasad:** Because one the plant is smaller, so the production parameters are different, and second thing, it is using imported coal, so to that extent the variable cost itself is higher there.

**Avinash Gupta:** So, that means this is one plant which we will have to shut down fast enough.

**G. R. K. Prasad:** Yes, in terms of margins, yes.

**Avinash Gupta:** In case of power cost comes down in due course...

**G. R. K. Prasad:** Then, of course we will play a different ball game.

**Avinash Gupta:** And this power, we are selling at 2 rupees 30 paise per unit. This is the GRIDCO?

**G. R. K. Prasad:** No. This is the new 20 MW plant which was commissioned in AP, which is used for merchant power, the GRIDCO is from Orissa unit.

**Avinash Gupta:** And that means here it is a different cost.

**G. R. K. Prasad:** Yes.

**Avinash Gupta:** Is Rs.2.10 and Rs.2.20 per unit is for the overall company.

**G. R. K. Prasad:** No, Rs.2.10 to 2.20 per unit is for 208 MW and for 20 MW, the cost structure is 3.80 per unit.

**Avinash Gupta:** Thank you.

**Moderator:** Thank you very much sir. Next in line, we have a followup question from Priyadarshan Jha from Standard Chartered. Over to you sir.

**Priyadarshan Jha:** Sir, do you think that demand for manganese and chrome may pick up from next year because you have produced very less this year, you are producing only 24,000 metric tonnes. So, do you think that the production will be more from next year?

**G. R. K. Prasad:** Let us say, this is a question which we would be addressing on a proactive basis. Our model is very typical. We would like to maximize value addition from power, either for captive consumption or for sale outside, so in that respect if next year happens to be a good robust year for Ferro Alloy, we may consume more power for production for Ferro Alloys. The game is very simple, maximize value addition for power.

**Priyadarshan Jha:** So, basically, this difference from price of chrome.

**G. R. K. Prasad:** Yes. Chrome or manganese depends on the price, and offtakes too.

**Priyadarshan Jha:** Right sir, thank you sir.

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

**Sunil Jain:** Good afternoon sir.

**G. R. K. Prasad:** Good afternoon.

**Sunil Jain:** Sir, I missed a figure on the write-off you had taken on account of inventory in this current quarter. What was that figure?

**G. R. K. Prasad:** As of March, the write-down is about Rs. 62 crore.

**Sunil Jain:** And that is completely in last quarter or was it spread over in the last two quarters?

**G. R. K. Prasad:** Last two quarters, spread over last 2 quarters. End of December it was....

**Sunil Jain:** And Rs.20 more crore in this.

**G. R. K. Prasad:** Rs.42 crore end of December and about Rs.20 crore in this quarter.

**Sunil Jain:** Thank you very much.

**Moderator:** Thank you sir. Next in line, we have VK Karthikeyan from TBA Capital. Over to you sir.

**VK Karthikeyan:** Sir, good morning.

**G. R. K. Prasad:** Good morning, Karthikeyan.

**VK Karthikeyan:** Just wanted to know who would be the lead banker for the Orissa power project sir?

**G. R. K. Prasad:** IDBI has been given....no, Orissa power project, you are talking about 64 MW?

**VK Karthikeyan:** Yes sir, 64 MW.

**G. R. K. Prasad:** IDBI has already sanctioned loan for that.

**VK Karthikeyan:** Entirely by IDBI, is it?

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

**VK Karthikeyan:** And is there any sense of who would likely be the lender in AP for 300 MW, 150?

**G. R. K. Prasad:** IDBI has the mandate....of that too.

**VK Karthikeyan:** And what rates are you able to currently obtain sir?

**G. R. K. Prasad:** Around 11.5%

**VK Karthikeyan:** This at floating I am assuming.

**G. R. K. Prasad:** This is floating, but that is for the 64 MW.

**VK Karthikeyan:** Right.

**G. R. K. Prasad:** For the 300 MW, it is coming under an SPV without recourse to the parent company, the rate could be higher.

**VK Karthikeyan:** Again, would these be floating and linked to the BPLR or how exactly are these structured?

**G. R. K. Prasad:** It would be floating, linked to BPLR.

**VK Karthikeyan:** Daily interest calculation.

**G. R. K. Prasad:** Sorry, not daily. It is monthly.

**VK Karthikeyan:** No, what I meant was you know as and when the resets of the BPLR happens, your calculation also changes, that is what I meant by that.

**G. R. K. Prasad:** Yes.

**VK Karthikeyan:** And any update on the manganese mine that you spoke about sir?

**G. R. K. Prasad:** Well, the exploration still is going on, so you know, in Indonesia the process is rather time consuming, so we expect the exploration and the stage of exploitation to be reached in about 6 months' time.

Once that is done, then we would have the similar structure as we have for our coal, and start extracting the manganese ore.

**VK Karthikeyan:** Sir, just a quick clarification on the 64-MW plant in Orissa, for example, would you still have to sell something to GRIDCO or would you be able to sell the entire thing on merchant basis?

**G. R. K. Prasad:** As of now, it is little gray, we are conducting negotiations with GRIDCO on that part. Orissa has a policy of independent power plants and merchant power plants. So, we may have to give some power to Orissa, I mean, not at the same rate of 2.30 but at the rate which is fixed OERC. As of now, that is not certain.

**VK Karthikeyan:** And the transmission line you spoke about, would you be directly linking up to a PDCI line or is it to the nearest evacuation point of the state grid?

**G. R. K. Prasad:** Which line are we talking about?

**VK Karthikeyan:** You spoke about you know the Orissa, you know, you require some additional transmission capacity, setting up a line.

**G. R. K. Prasad:** No, that is to the state transmission network only.

**VK Karthikeyan:** How far would be the nearest PGCIL line sir if you have that data with you, so could not you have linked directly to the PGCIL...?

**G. R. K. Prasad:** It is not that easy to link it up PGCIL network because we are evacuating at 132 KV. So, for PGCIL, you need to have a bay very clearly and PGCIL has a different evacuation structure altogether and so it will not work well for this set up.

**VK Karthikeyan:** Oh, is it? Fine, great, thanks very much and congratulations on the performance sir.

**G. R. K. Prasad:** Thank you.

**Moderator:** Thank you sir. Participants who wish to ask questions, please press \*1 on your telephone keypad. At this moment, there are no further questions from participants. I would like to handover the floor to Trivikrama Prasad for final remarks. Over to you sir.

**P. Trivikrama Prasad:** Thank you very much, and I hope you have all these clarifications, and if you want any further clarifications, you could always approach us to mail or by phone, and we will be glad to respond, and thanks a lot for participating in this meeting. Thank you.

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

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