



Second Quarter Results Conference Call Financial Year 2010 November 5, 2009

Siddarth Rangnekar: Good afternoon everyone and thank you for joining us on this conference call. We have on the call today, Mr. P. Trivikrama Prasad – Managing Director and Mr. G.R.K. Prasad – Director (Finance & Corporate Affairs). The call will start with Mr. Vikram Prasad making his opening remarks and we shall then have the Q&A session. I now call upon Mr. P. Trivikrama Prasad to share his views.

P. Trivikrama Prasad: Good afternoon to everyone. Let me take this opportunity to welcome you all to the call. The published Financial results for the quarter and the half year set out the performance of the Company.

The performance in the second quarter is marked by good results in power business. Higher realizations in ferro alloys helped the Company to recoup a part of the provision for diminution in the value of raw material inventories and similarly, spurt in sugar realisations helped the Company post better results in these two segments.

The Company is able to avail MAT credit entitlement owing to the fact that bulk of the profits are driven by power business which is exempt from tax. Accordingly we expect the effective income tax rate to be ranging between 5-10% in this year.

The new 64 MW power project work is on schedule with expected commissioning by December 2010 on track. The two 150 MW units should achieve financial closure by December end by when ordering for BTG equipment is planned. The SPV has already received sanctions for a part of the debt while balance debt should be tied up this month. The SPV is finalizing the power evacuation arrangements for both the units and will enter in to power sale arrangements in due course.

NBV Group has been successful in distributed power asset model, concentrating on small to medium sized power units. Such units have relatively lower gestation period and statutory clearances are easy to come by. The Group's thrust on acquisition of coal off-take rights and mining in Indonesia would provide benefit of fuel integration and coal trading in the medium term.

The Group's proposed investment in Zambia is deemed a right step for coal mining and integrated power generation with most of the infrastructure being in place in a Public Private partnership with the Government of Zambia. The Group expects to conclude the transaction shortly and envisages an equity commitment of about US\$140 Million spread over three years. Detailed disclosure will be made after sign off.

With that, I would request the moderator to open the session for Q&As.

Moderator: Thank you very much sir. We will now begin the Q&A interactive session. First in line, we have Shanthanu Banerjee from SKS Capital. Please go ahead.

Shanthanu Banerjee: Good afternoon. Could you brief about what is the percentage PLF for your power plant operation in Q2FY10?

G. R. K. Prasad: In Q2FY10 the 114 MW power plant in Andhra Pradesh went through a maintenance outage. The average PLF was about 75%.

Shanthanu Banerjee: And what about the other power plant - Orissa?

G. R. K. Prasad: Orissa power plant PLF was about 83% for Q2FY10.

Shanthanu Banerjee: What is the reason behind less PLF compared to Q1FY10 where it was 90% compared to 80% in this quarter?

G. R. K. Prasad: In Orissa we do not have a second transmission line for evacuation and so generation was contained. Accordingly the PLF was lower and in AP unit we had a maintenance outage which lasted for about 45 days in Q2FY10 and that affected the PLF compared to Q1FY10.

Shanthanu Banerjee: Okay, what is the average power cost per unit?

G. R. K. Prasad: It is about Rs. 2.20 to Rs. 2.30 between the two units excepting 20 MW power plant where the cost of generation is about Rs. 3.20.

Shanthanu Banerjee: Okay. And is there any kind of fuel linkages that you are operating in these two power plants in AP and Orissa. What is the fuel linkage and what percentage you are operating at?

G. R. K. Prasad: We are drawing coal from linkage to the extent of about 80% and balance fuel requirement is met by coal through e-auction and washery rejects.

Shanthanu Banerjee: What is the average tariff of external sales, merchant power plant? What is the average tariff that you have sold in Q2FY10?

G. R. K. Prasad: We have two components of power sales, one goes to GRIDCO in Orissa, that fetches us Rs. 3. For the external sale of power, we realized about Rs. 5.50 per unit

Shanthanu Banerjee: Rs. 5.50 is for external sales?

G. R. K. Prasad: Correct.

Shanthanu Banerjee: Okay. Thank you.

Moderator: Thank you very much sir. Next in line, we have Shruthi Udeshi from Finquest Securities. Please go ahead.

Shruthi Udeshi: I wanted to know what is the debt outstanding on the books as on September 30, 2009.

G. R. K. Prasad: Full debt is about Rs. 401 crore. It includes outstanding FCCB of Rs. 140 crore.

Shruthi Udeshi: And how much debt has been already drawn from the bank towards the 64 megawatt plant new plant?

G. R. K. Prasad: We have not yet drawn.

Shruthi Udeshi: And what is the debt to equity ratio in this plant?

G. R. K. Prasad: It is 70:30. Debt of about Rs. 162 crore and equity of Rs. 70 crore. Presently, we are using the equity for implementation.

Shruthi Udeshi: Okay. And secondly you were awaiting for some forest clearances for the Indonesian mine as you had mentioned in your last concall. When can we expect these clearances and when do you expect to commence the extraction of coal?

G. R. K. Prasad: The clearance is given in two stages; one is in-principle clearance and the other one is final clearance. The coal miner has received the in-principle clearance. The coal extraction is being commenced. So, we would take about a month to 45 days to make the first shipment and that could happen some time before January 2010.

Shruthi Udeshi: Okay. And what could be the current realization of sugar?

G. R. K. Prasad: Rs. 24,000 per tonne.

Shruthi Udeshi: And since the crushing season will start now, what would be the price you will be paying for cane approximately?

P. Trivikrama Prasad: We will be paying about Rs. 1,900 for a tonne of cane; Rs. 1,750 in the form of cane price and Rs. 150 in the form of cutting subsidy, harvesting subsidy here. Effectively they will be getting about Rs. 1,900.

Shruthi Udeshi: And how much power was sold to GRIDCO in Q2FY10, like in Q1FY10 you sold some more power due to some government regulation or some government order. Has that been continued in Q2FY10 as well or you have sold only 20 megawatt?

G. R. K. Prasad: For July 2009 it was continued and from August 2009 it was 20 megawatt only. So for one month 70 megawatt was given to GRIDCO at Rs. 3 and for balance two months, it was 20 megawatt of power.

Shruthi Udeshi: Okay. Thanks a lot.

Moderator: Thank you very much ma'am. Next in line, we have Mr. Sunil Jain from Nirmal Bang Securities Ltd. Please go ahead.

Sunil Jain: What is the status now, are you still giving 20 megawatt to GRIDCO now and balance merchant power?

G. R. K. Prasad: Yes.

Sunil Jain: Last time, you said that you had tied up for October to January I think at Rs. 5.75 and that is for the balance 208 megawatt?

G. R. K. Prasad: 228 MW is the power capacity available with net power of about 162 MW, delivered at about 80% PLF and post auxiliary consumption. Out of that about 13 MW was used for captive use and about 32 MW was sold to GRIDCO on an average.

Sunil Jain: Okay. Is there a possibility that GRIDCO may again come up with this emergency clause and take more power in the near future?

P. Trivikrama Prasad: Not for the time being. I mean, when they have their own resources and power generation, this clause doesn't come into effect. It is imposed only when there are severe drought conditions like in June-July when there were no rains in Orissa and the hydro power was almost nil. They can't just take this power at any time they like. It is only on an emergency situation.

Sunil Jain: Okay. And just give me some detail about this 64 MW expansion; it will be coming in December 2011?

P. Trivikrama Prasad: December 2010.

Sunil Jain: And after that we have two more plants which will be coming up, for which you are finalizing the financing.

G. R. K. Prasad: Yes.

Sunil Jain: Can you give me details about that, exactly how much it is?

G. R. K. Prasad: That is related to two units of 150 MW each coming up in Andhra Pradesh at two different locations. These are scheduled to be commissioned over a period of 30 months from the ordering of BTG, which is expected in December. So, we would expect them to come on stream some time in FY13.

Sunil Jain: Okay. And back on to this main core business of Ferro Alloy, the realization was comparatively good in this particular quarter. What was the realization figure for silico- manganese, ferro manganese and ferro chrome?

G. R. K. Prasad: we had realized about Rs. 43,000 per tonne for manganese alloys in Q2FY10. For Ferrochrome, there was a small volume fetching about Rs 44,000 The realizations are hovering around Rs. 50,000 per tonne now for ferrochrome and the manganese alloys also.

Sunil Jain: Okay. You mean to say the trend seems to be okay?

G. R. K. Prasad: It has gone up, so we expect these prices to stabilize at this level. Definitely it is for this quarter. We will have to see how these prices are going to be for the next quarter.

Sunil Jain: Okay. So, does it make sense to switch back to Ferro Alloy from power or is it not profitable as compared to the power sale?

G. R. K. Prasad: As of now, we are sticking to our original plan of about 35,000 tonnes of Ferro Alloys for this year, so I don't think we will be departing from that significantly.

Sunil Jain: Yes, true, but the important thing is since you take around Rs. 8,000 for a tonne in terms of power cost so, if suppose I get more revenue on that much, then you can easily switch over to Ferro Alloy, I was just enquiring whether the situation has come or not?

G. R. K. Prasad: Not yet.

Sunil Jain: Means this ferrochrome or whatever raw material prices are also increasingly correspondingly?

G. R. K. Prasad: Yes, they increased effective from October 2009.

Sunil Jain: Can you give me exactly what are the prices?

G. R. K. Prasad: Manganese ore now is about Rs. 12,000 per tonne and chrome ore is about Rs. 7,000 to Rs. 7,500 per tonne.

Sunil Jain: Okay. And about this Indonesian mine, you had said last time that the production will start in another one to one and a half months. The situation is more or less same or it has improved compared to that?

G. R. K. Prasad: No, what situation are you talking about?

Sunil Jain: See, Indonesian mine, we were expecting some coal dispatch in the current quarter. But it has not come.

G. R. K. Prasad: In the current quarter, we were actually looking forward to extracting; that will take place. The dispatches should commence from January 2010 if not earlier.

Sunil Jain: Okay. And how much dispatch will be there if it starts in January there?

G. R. K. Prasad: Initial six months will be between 40,000 to 50,000 tonnes a month.

Sunil Jain: And how much is the cash balance with you right now?

G. R. K. Prasad: It is about Rs. 600 crore.

Sunil Jain: Okay, thank you very much.

Moderator: Thank you very much sir. Next in line, we have Subhabrata Mitra from Jet Age Securities. Please go ahead.

Subhabrata Mitra: Yes, good afternoon and congratulations for very good set of numbers. Just wanted to know that you have taken a MAT credit entitlement of Rs. 13 crore this quarter, how much more is left or we have already exhausted the total MAT credit entitlement?

G. R. K. Prasad: No, we have not exhausted the credit, but the MAT credit entitlement is a function of how the profit is derived from Ferro Alloys vis-à-vis the power. So, there is a possibility that MAT credit entitlement will come in the next two quarters also. We can't

put a number or percentage at this stage. That is why Mr. Vikram in the opening remarks said that about 5% to 10% would be the effective tax rate.

Subhabrata Mitra: Okay. Thank you.

Moderator: Thank you very much sir. Next in line, we have Mr. Amol Kotak from ASK Investment Managers. Please go ahead.

Amol Kotak: Your plan is to produce Ferro Alloys of 35,000 tonnes for the current year; in the first half you have produced 11,000 and 10,000 tonnes. So, in the second half, will that reduce drastically?

G. R. K. Prasad: If you look at it, in the first quarter, there was no production of ferrochrome at all, the production for second half will be higher than first half, but overall target of 35,000 tonnes is intact, even with addition of ferrochrome production to use the stranded power of 10 MW in Orissa.

Amol Kotak: To that extent your merchant sales in the second half would reduce, have I interpreted it properly?

G. R. K. Prasad: No, it wouldn't reduce. If you take the total power availability and what was sold for merchant sale purposes in the first half, the number would actually improve in the second half. This is because on one hand we had power plant outages in Andhra Pradesh and so additional power would be made available in the second half. On the other hand, our production plan hasn't significantly changed from quarter 2 anyway.

Amol Kotak: No, just a rough cut, back of the envelope calculation, for about 25,000 tonnes, you would require on an average 10 crore units. Then, with your power plant running at 85% PLF, you would generate about 75 crore units in the second half also, so then relatively for each quarter, the merchant power sales would come down compared what it has been in the first half.

G. R. K. Prasad: The performance of the power plants would be better in the second half so, to that extent, we would have higher power units availability.

P. Trivikrama Prasad: And overall realizations will be higher.

Amol Kotak: Okay. And Q3FY10, you guided basically that you have closed at Rs. 5.75, any guidance for Q4FY10 which you could discuss?

G. R. K. Prasad: We have not closed that contract as yet. We expect better rates.

Amol Kotak: Okay. And on the Zambia expansion or project, if you could detail out what sort of project are you looking at, could you just share that?

G. R. K. Prasad: We would like to make a very formal disclosure once the transaction documents are signed. At this stage, We have been chosen as the preferred bidder and called for negotiations and agreement has been reached to sign the transaction documents. What we wanted to do is to have the transaction documents behind us before making a formal disclosure, but we wanted to clarify at this stage that our overall commitment on the project is about US\$ 140 million which will be spread over three

years if not a little more. This includes the upfront payment that we will be making for acquiring the 65% of equity in that company.

Amol Kotak: Okay. Thank you.

Moderator: Thank you very much sir. Next in line, we have Mr. Bhavin Chedda from Enam Holdings. Please go ahead.

Bhavin Chhedda: Can you give us your cost of linkage coal and the other coal what you acquire from washeries. From October 15, 2009 this has been hiked by around 10%. So, what was the cost and what is it now, right now?

G. R. K. Prasad: Cost of coal landed to us in AP worked out to about Rs. 1,300 per tonne linkage coal.

Bhavin Chhedda: This is now or before hike?

G. R. K. Prasad: I am talking about the cost as of now.

P. Trivikrama Prasad: AP there hasn't yet been an increase. This is from the Singeneri Collieries. So, they may increase, but so far they haven't yet announced the increase.

Bhavin Chhedda: Okay. And Orissa?

P. Trivikrama Prasad: Yes, that is where they have increased by 10%.

Bhavin Chhedda: And so what is the Orissa landed now?

P. Trivikrama Prasad: Orissa is about Rs. 1,000?

Bhavin Chhedda: And what grade of coal is this, at both the places?

G. R. K. Prasad: It is all E/F.

Bhavin Chhedda: Okay. So AP, you think they may increase it, but it is not increased right now?

P. Trivikrama Prasad: No, they will increase it because usually they follow what is happening in Cola India. Already they charge a much higher price than what others charge. The Singeneri collieries is doing well, maybe they will not increase or maybe they will increase marginally.

Bhavin Chhedda: Okay. And the merchant sale you said you have contracts till Jan 2010 right, at Rs. 5.75?

G. R. K. Prasad: Till December 2009.

Bhavin Chhedda: Okay. And that is for how many megawatts? Or you have committed the entire merchant?

G. R. K. Prasad: Yes, for something like 140 megawatt

Bhavin Chheda: And what kind of rates you are getting for next fiscal if there is any indication?

G. R. K. Prasad: We don't have a number, but we are given to understand it should be minimum Rs. 5 to Rs. 5.50.

Bhavin Chheda: There has been a declining trend in tariffs?

G. R. K. Prasad: Yes. I think it is more to do with purchase capacity of the utilities rather than the demand.

Bhavin Chheda: And this 140 megawatt contract you have signed with utility right?

G. R. K. Prasad: With our traders. With a back-to-back contractor or with the utilities.

Bhavin Chheda: We don't see many power plants coming up next year, so why is it like that the per unit rate as coal prices have also been going up, so you think that next year rates will be around Rs. 5.20 or something?

P. Trivikrama Prasad: No, that is the most minimum we are saying. It could definitely be higher and all that depends upon the condition of the state's physical situation in most of the utilities and also how the economy is going to be. All these are factored in for the pricing, but Rs. 5 plus is the most minimum that you could expect with all the things that you have suggested, increase in coal price and no newer additions coming into this and significant percentage increase in consumption.

Bhavin Chheda: And this 20 megawatt sold to GRIDCO is at Rs. 3 per unit?

G. R. K. Prasad: Yes.

Bhavin Chheda: Okay. And in terms of Ferro Alloys, you said that your manganese alloys and chromium alloys, entire Ferro Alloys your production target is 35,000 tonnes for FY10?

G. R. K. Prasad: Yes.

Bhavin Chheda: Because first half is 7,300 tonnes, so almost 28,000 tonnes left, you will run a quarterly run rate of 13,000 to 14,000 tonnes now.

G. R. K. Prasad: That's about it.

Bhavin Chheda: Okay and on per tonne basis, if I can get a PBIT on current prices, it should be around Rs. 10,000 or should be less, EBITDA level?

G. R. K. Prasad: EBIT level, manganese will be about Rs. 10,000 and Ferrochrome, is around Rs. 6,000 at the EBIT level.

Bhavin Chheda: Okay. And Zambia, just I missed out, total cost you said US\$ 140 million or 140 crore you said?

G. R. K. Prasad: No, our proposed equity holding is 65% in that company, our commitment is about US\$ 140 million.

Bhavin Chheda: Because originally if I am looking at my old conference notes, you were looking at 35% stake for US\$ 30 million?

G. R. K. Prasad: it is 65%.

Bhavin Chheda: Yes 65% stake, we were looking to buy US\$ 30 million and then to invest in that company?

G. R. K. Prasad: Exactly. Including that 30 million our total investment size is about US\$ 140 million.

Bhavin Chheda: So, US\$ 30 million will be initial equity and then you put money into the company. So, it will be close to US\$ 140 million from your balance sheet and you will hold 65% in that company?

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

Bhavin Chheda: And if I understand correctly, coal mine can start in FY12 right, 1 odd million tonnes you can get coal from there.

G. R. K. Prasad: Yes, FY11 it should work, that is for about six months.

Bhavin Chheda: FY11 - six months and FY12, 1 million annual run rate?

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

Bhavin Chheda: Okay. And you have to compulsorily set up a power plant in Zambia?

G. R. K. Prasad: Yes.

Bhavin Chheda: And what kind of returns are there? Buy is there or you can sell it, how is it like to set up a power plant in Zambia, how the dynamics work on the power projects?

G. R. K. Prasad: Actually, we would like to address this a little later Bhavin once the transaction is signed. But return should be comparable to what we would obtain otherwise, though not on a merchant power basis, but definitely better than an ITP structure basis.

Bhavin Chheda: Just to understand your Zambia call, are you bullish on coal and investing or are you bullish on power project in Zambia and investing?

G. R. K. Prasad: Both coal and power.

Bhavin Chheda: Okay. Thanks a lot.

Moderator: Thank you very much sir. Next in line, we have Mr. Priyadarshan Jha from Standard Chartered. Please go ahead.

Priyadarshan Jha: Just wanted to know about your real estate and SEZ business, is there any further development there because we have not seen any development last one year or so.

G. R. K. Prasad: I don't think there is any development since that time. There is no immediate plan for real estate development on the company's side. SEZ development hasn't really taken off as expected.

Priyadarshan Jha: Okay sir. And you don't have any further plans to put money there?

G. R. K. Prasad: No, there is no commitment from our side any more on that.

P. Trivikrama Prasad: Right from beginning, we have invested on this, there is no additional commitment from our side. This is only the partner's commitment that he has to take up.

Priyadarshan Jha: Okay. That's from my side, thank you.

Moderator: Thank you very much sir. Next in line, we have Sanjeev Panda from Karvy Stock Broking. Please go ahead.

Sanjeev Panda: I wanted to ask that sugar realization has improved this quarter, but then the sugar business sale was down 25%. We have seen in total sales despite the improvement in realization and volume-wise, can you give your outlook like how it could be in the next coming two quarters?

P. Trivikrama Prasad: Yes, so far as sugar goes the major problem is that all of us are suffering from lack of cane capacity to crush because people have diverted their areas to other crops since cane was not getting a remunerative price and that was the reason we won't be even crushing at 60% of our capacity. The prices of sugar are going up, but we don't have the quantities of sugar that we would like to sell. This is the situation here as far as sugar goes, but we have offered a very good cane price, hopefully for next year we would be getting a very good cane availability and the advantage situation that we are in is that there is a kind of a mild drought in that area - Godavari belt where we are located and so it is more suitable to grow cane than paddy and other crops right now. We may expect some better cane availability for the following year.

Sanjeev Panda: What kind of utilization you expect for FY10 ending?

P. Trivikrama Prasad: Utilization up to March ending would be at an average of 2,700 - 2,800 TCD. We will be starting crushing season only towards the end of this month, i.e., only December onwards, we will be getting some sugar. So, with that, we should be getting about 3,400 to 3,500 TCD. For Q3FY10 & Q4FY10 we are expecting it to be above 3,200 tonnes.

Sanjeev Panda: And in terms of volumes, what kind of number we can expect in the entire FY10 for sugar?

P. Trivikrama Prasad: Probably about Rs. 17 to 18 crore, but that would depend on how we will be dealing with our cane availability and cane developmental exercise that

we are planning to do. Depending upon the mood of the farmers which starts usually from November onwards, if there are good chances of getting a better cane availability, you may have to extend some incentives to them to grow cane. So, basically I think this should be the range at which we should be.

Sanjeev Panda: What kind of power production or volume you expect for the next two quarters or H2FY10?

G. R. K. Prasad: We have 228 megawatt power. We expect next two quarters, these power plants to be operating at about 90% PLF.

Sanjeev Panda: Okay. And we find that in Forex fluctuation - what is the exposure and what kind of route it has taken, whether it is mark to mark losses that has been booked?

G. R. K. Prasad: Yes, it pertains to mark to market losses that are taken in to account. This relates to the external commercial borrowings being carried by the company in the yen. That phenomenon will continue on a quarter-on-quarter basis.

Sanjeev Panda: Fine, thank you.

Moderator: Thank you very much sir. Next in line, we have Priyesh Jain from Angel Broking. Please go ahead.

Priyesh Jain: Just missed out what was the Q2FY10 figure on the external power realization that you had given, average external power realization.

P. Trivikrama Prasad: It is about Rs. 5.50 per unit

Priyesh Jain: Okay. So, this Rs. 5.75 is what we have tied up for till December 09 and is net of transmission losses?

P. Trivikrama Prasad: Yes.

Priyesh Jain: And secondly any plans of demerging our power business from the ferrochrome business?

P. Trivikrama Prasad: Well, none. If there is anything, we will make a disclosure, but nothing of that sort.

Priyesh Jain: Okay, thank you.

Moderator: Thank you very much sir. Next in line, we have Amit Golchha from Emkay Global. Please go ahead.

Amit Golchha: I had a little bit confusion on the power segment realizations. How much would be wheeling charges?

G. R. K. Prasad: I would appreciate if such questions in detail may be addressed to us by mail which we can answer.

Amit Golchha: Okay, no problem. Second question, if you can tell me the calorific value of the coal which you mentioned, Rs. 1,300 per tonne in case of Andhra Pradesh and Rs. 1,000 per tonne in case of Orissa, how much would be the calorific value of coal?

G. R. K. Prasad: That is about 3,500 to 3,800 k.cals as heat value.

Amit Golchha: Okay, this is as received basis you are saying.

G. R. K. Prasad: Yes, as it is fed to the boiler.

Amit Golchha: Okay. And just wanted to understand about the MTM losses, how much was the MTM losses during the quarter, what was the quantum of the losses on Forex.

G. R. K. Prasad: About Rs. 6.7 crore on the external commercial borrowings.

Amit Golchha: Okay, that's all from my side and all the best for the next quarter. Thank you.

Moderator: Thank you very much sir. Next in line, we have Mr. Akhil Reddy from PCS Securities Limited. Please go ahead.

Akhil Reddy: Yes, this actually was regard to the cost of coal; I have a couple of questions. The first question, what is the cost of coal per unit?

G. R. K. Prasad: It ranges between Rs. 1.30 to 1.50.

Akhil Reddy: Okay. And another question is, with regard to the 150 x 2 megawatts, your new power project which you have planned, what is the debt-equity you are planning?

G. R. K. Prasad: It is 70:30. On the cost of coal, I would like to clarify one point. In the , 20 MW power generation, the cost is about Rs. 2.60.

Akhil Reddy: Okay. And final question is, with regard to your Orissa project, what is the status about that, with regard to the Orissa 1,000 odd megawatt?

G. R. K. Prasad: Yes, the project is going through the basic project clearances, one of the principal issues relates to equity funding which is to be resolved. Once that is done, then we can really talk about some timelines.

Akhil Reddy: Alright. And right now your partner's stake is about 75% in that project?

G. R. K. Prasad: No, it is 50% and we own 50%.

Akhil Reddy: Alright. And what is your project cost for 2 x 150 megawatt?

G. R. K. Prasad: Rs. 1,386 crore.

Akhil Reddy: And just to clarify, cash balance as of now is about Rs. 600 crore right?

G. R. K. Prasad: Yes.

Akhil Reddy: Thank you so much.

Moderator: Thank you very much sir. Next in line, we have Raunak Nagda from Valuequest Research. Please go ahead.

Raunak Nagda: Good afternoon. I would like to know what your equity is after a buyback that happened this quarter.

G. R. K. Prasad: It is about Rs. 15.2 crore.

Raunak Nagda: Okay, thank you and all the best.

Moderator: Thank you very much sir. Next in line, we have Mr. Yogesh Tiwari from Span Capital. Please go ahead.

Yogesh Tiwari: You have made the financial closure for the 64 megawatt Orissa plant - who has been awarded the EPC contract for it?

G. R. K. Prasad: It is not through an EPC, it is package based implementation. It is more like repetition of our existing 64 MW power plant. Turbine generator and boilers are sourced separately.

Yogesh Tiwari: And, the second thing, your cash on the book is 600 crore and what would be the yield on the cash you have?

G. R. K. Prasad: 5.3% before tax.

Yogesh Tiwari: And one more thing, seeing the majority capacity coming by FY12 in par, where do you see the merchant power going forward in the next three years; the merchant power average realization?

G. R. K. Prasad: I think as far as we are concerned, we are factoring a minimum of Rs. 5 in the next three years for merchant power. It should be higher, but I think a minimum of Rs. 5 is certainly realizable, I mean average.

Yogesh Tiwari: Okay, thank you.

Moderator: Thank you very much sir. Next in line, we have Mr. Mayur Parkeria from Wealth Managers. Please go ahead.

Mayur Parkeria: Just wanted to have one conceptual understanding, this merchant power contract sales which we do, the nature of the contract with trader is what, short term, medium term, or long term?

G. R. K. Prasad: We have a medium term agreement for quantum of power. But the price contract is frozen once the back-to-back arrangement is done, so that is done on a quarterly basis, sometimes for two quarters.

Mayur Parkeria: Back-to-back arrangement which the trader is able to do with the purchaser?

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

Mayur Parkeria: Okay. So, when you say medium term contract you have with the trader is around what, three to five years?

G. R. K. Prasad: Three years.

Mayur Parkeria: And currently that is for around 120 megawatts?

G. R. K. Prasad: The contract is for about 120 megawatts.

Mayur Parkeria: Okay fine. And one more understanding is in the overall scheme of things, if we look three to five years down the line, we have done substantial investment in the mining, the Zambia, then the power plant, and things like that and less focus, even on the balance sheet and profit-wise will be on sugar, so do we have any strategic decision on the sugar side or it will continue to remain with us over the next three to five years?

P. Trivikrama Prasad: Yes, as far as sugar goes, we would like to be in this business for some time because, we are burning so much of coal and we would like to have at least 5% of our sugar from non-conventional energy for power generation. We would like to increase our capacities in these particular areas for non-conventional energy because in the long run, we may have to have at least 5% of our capacity in these things. There is no official rule which is existing, but generally the government may say or generally institutions may say that you should have 5% to 10% to encourage non-conventional energy and we would like to maintain this because it is the most suitable way and all renewable energy, most reasonably priced we can get and we are working on increasing our generation in this area by crushing whole cane. We are making a lot of efforts to crush the whole cane without removing the trash, thereby increasing the trash and increasing our power generation capacity. So, we would like to be with this for some time to come.

Mayur Parkeria: But you want to basically forward integrate later if the regulation comes or if you want to expand?

P. Trivikrama Prasad: Yes, today we look at sugar as only a by-product, we don't look at it as our main product.

Mayur Parkeria: Okay. And just on the ferrochrome if I get it correct, you said 35,000 tonnes is the production target and what would be that on the sales side roughly because we have around, if I get the release correctly, we have shown around 32,000 on that side, 32,000 tonnes in this half year?

G. R. K. Prasad: No, we expect to sell another 20,000 to 25,000 tonnes in the second half.

Mayur Parkeria: Fine, thank you very much.

Moderator: Thank you very much sir. At this moment, I would like to hand over the floor back to Trivikrama Prasad for final remarks. Please go ahead sir.

P. Trivikrama Prasad: Okay, thank you very much for participating in this conference call and as always I say, if there are any further follow-up questions or anything like that, you are welcome to talk to our people and in case you want further details as somebody had expressed some details, we could always give it to you in writing or send it to you by email and thank you all for taking the trouble of being here.

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