



Fourth Quarter Results Conference Call Financial Year 2010 June 1, 2010

Siddharth Rangnekar: Good morning 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. Trivikrama 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.

Trivikrama Prasad: Good afternoon to you all. I welcome everyone to the Nava Bharat annual results conference call. The Company has delivered a healthy performance during the year.

Power sector continues to lead overall revenues and profitability. Income from this segment stood at Rs. 828 crore in the year as compared to Rs. 690 crore on account of higher volumes of merchant power. We achieved healthy realisations in power during the year and expect the same to continue in the next year also.

Ferro Alloys segment continues to be operated on a dynamically adjusted margin basis relative to power sale. Revenues from this segment though stood at Rs. 320 crore in FY2010 from Rs. 622 crore in FY2009, did not impact the overall profitability. We expect this division to register improved performance in the current year with Manganese Alloys contributing to the profits.

Sugar segment income stood at Rs. 85 crore from Rs. 68 crore on the back of healthy realisations in FY2010 though the crushing quantum was lower.

The Net Profit for the quarter and the year were higher at Rs. 110 crore and Rs. 499 crore from Rs. 109 crore and Rs 455 crore previously notwithstanding the marginal performance of Ferro Alloy's division and on account of higher dependence on power business segment.

In the Power segment, we did merchant sales of 1,385 million units in the current year as compared to 1,015 million units last year. We will further enhance our position in merchant power, through the coal based 64 MW and 2 Units of 150 MW each in the SPV. We are on track to commission the 64 MW plant during the current financial year. During the Q4 of FY 2010, the Company achieved the financial closure for the 2 power units of 150 MW each with long-term debt for Rs. 970 crore.

Moving to the Ferro Alloys segment, I am happy to report that Manganese Alloys business has been witnessing interest and firm price lines which if sustained, might yield good returns in the current year.

The Sugar segment might be affected by higher cane crushing in the current year and consequent pressure on margins.

To conclude I would like to say that the Power segment continues to be the key driver for incremental growth and profitability in the future.

With that I have covered the key points of discussion for the quarter and I would now request the moderator to open the session for Q&As.

Moderator: Thank you sir. Ladies and gentlemen, we will now begin with the question and answer session. The first question is from the line of Pankaj Bobade from Enam Direct Limited. Please go ahead.

Pankaj Bobade: Could you please give me the sales revenue break-up for Q4FY2010 for all the segments that you have mentioned in the press release for the quarter?

G. R. K. Prasad: It is already available in the financial statement. Ferro Alloy division has contributed to Rs. 126 crore, Power division contributed Rs. 194 crore, and Sugar division Rs. 19 crore.

Pankaj Bobade: Can I get product-wise?

G. R. K. Prasad: Product-wise we do not have the data here but I have the quantity- product-wise that is already published.

Pankaj Bobade: Yes it is with the press release, I just wanted the sales revenue breakup for these products. Can I get it offline afterwards?

G. R. K. Prasad: Sure you can get it.

Pankaj Bobade: Okay, second question there was a sharp rise in raw material cost and personnel charges for this quarter as compared to last quarter q-o-q. Any specific reason for the same?

G. R. K. Prasad: We used high cost Manganese Ore which we imported in the year 2008-09 in this last quarter to cater to some export demand, which has resulted in higher cost of raw material.

Pankaj Bobade: Personnel cost has also almost doubled from Rs.15 to 25 crore.

G. R. K. Prasad: Yes, because the Manganese Ore was bought in 2008-2009 at a very high cost and , a part of that cost was actually absorbed in this quarter.

Pankaj Bobade: That is what you told about raw material cost. I am talking about staff cost.

G. R. K. Prasad: Staff cost includes actuarial provisions for gratuity as per the new guidelines and superannuation..

Pankaj Bobade: So that will not be recurring, right?

G. R. K. Prasad: Yes it will be evenly spread now onwards.

Trivikrama Prasad: We have increased the gratuity to Rs. 10 lakh from Rs. 3 lakh.

G. R. K. Prasad: The Actuarial provision of gratuity is the principal factor there.

Pankaj Bobade: Okay sir, thank you.

Moderator: Thank you. The next question is from the line of Girish Solanki from Anand Rathi Securities. Please go ahead.

Girish Solanki: Sir, my question is more pertaining to the 300 MW's of power plant for which we have achieved the financial closure. In the statement, we have mentioned that overall cost is Rs. 1,490 crore and we have fully sanctioned debt for Rs. 970 crore which implies 65% to 35% debt equity.

G. R. K. Prasad: Roughly about 70%.

Girish Solanki: Okay, we are going at 70:30 and I would like to know the project details from whom are we ordering the equipments. Have we already ordered the equipment, by when are going to get this and the BTG? All such project details, if you could furnish us?

G. R. K. Prasad: The BTG is being ordered on a combination of Dongfang and Wuxi, the country supplier is DF Power systems which is an Indian outfit. So we are importing the turbines from Dongfang and boilers from Wuxi. The ordering is likely anytime now, maybe in the next couple of weeks we should do that. What we plan to do is have the ordering done in two phases. One set of BTG will be ordered now and the second set being ordered in about 2-3 months time by when we expect to have some of the engineering issues resolved and the execution time for the order is about 30 months from the zero date which is likely to be in the end of August.

Girish Solanki: Okay. And what is the calorific value of coal that will be used, is it going to be imported coal, do we have linkages for one of the plants because earlier, we mentioned that we have applied for a linkage for 150 MW and what is the stance, right now?

G. R. K. Prasad: There are two units; one is close to Kakinada Port, the other is where our principal works are located in Paloncha. The Paloncha unit will use a combination of local coal, washery rejects and some imported coal while that at Dharmavaram which is close to Kakinada Port will use predominantly imported coal and a part of local coal.

Girish Solanki: Okay, what will be cost of the imported coal because you mentioned it's close to the Kakinada port, how close is it? Is it in terms of kilometers?

G. R. K. Prasad: It is about 60 kms from the port to the plant exactly.

Girish Solanki: Okay so what will be the overall cost and what type of coal are you going to import? Have we sanctioned or looked at any....

G. R. K. Prasad: The imported coal will be coming from our Indonesian mine where we have 100% off- take rights. That mine is set to start extracting and sale probably in two months and in the next two years we will be using roughly about 1.5 lakh tonnes per annum for feeding our 20 megawatt power plant and after two years the extraction is expected to be about 1 million to 1.2 million tonnes which will be completely used by these two power plants.

Girish Solanki: Okay so why is this mine getting delayed because we had factored in this into our projections sometime back and I believe the off take is not happening from this Indonesian mine. Any specific reason and what do you feel from when is this going to start?

G. R. K. Prasad: Yes, the delay was certainly there but delay is something beyond our control. It is something to do with forestry clearance and local clearances and all. Those have taken much

longer than what we expected to be the case and now I am given to understand the licensing issue is more or less resolved and the extraction can commence probably in a month's time say July. So let us hope that no further delay takes place.

Girish Solanki: So we have 75% rights on this?

G. R. K. Prasad: We have economic interest of 75% but off take rights are 100%.

Girish Solanki: Okay and you mentioned the GCV and station heat rates for your 300 MW plant, if you could elaborate on the GCV and the station heat rate?

G. R. K. Prasad: Station heat rate is about 2500 and odd, maximum 2540 or so. The imported coal GCV on ARB basis is about 4300.

Girish Solanki: Okay thanks.

Moderator: Thank you. The next question is from the line of Sanjeev Panda from Karvy Stock Broking. Please go ahead.

Sanjeev Panda: Yes, I just wanted to know what would be the pure sugar realizations excluding the by product for this quarter?

Trivikrama Prasad: The running quarter should be around 2800 per quintal without duty, realization. What I am talking is 2800 per quintal, there has been a drop of almost 25-30% compared to early part of last quarter. So right it is around 2700-2900 per quintal and that is about 27,000 - 29,000 per tonne.

Sanjeev Panda: And the realizations for merchant power for this quarter?

G. R. K. Prasad: We should get about Rs.4.75 per unit.

Sanjeev Panda: Okay. How much MAT credit is still outstanding with us?

G. R. K. Prasad: We have about Rs. 80 crore and odd that is still being carried.

Sanjeev Panda: Will this be fully written-off next year?

G. R. K. Prasad: It's a function of what is the actual PAT and what is the MAT, the differences can be taken as this credit.

Sanjeev Panda: Okay and would I get the debt position of the Company for FY10?

G. R. K. Prasad: Debt as of March is already given, that is about Rs. 390 crore which includes Rs. 140 crore of FCCB.

Sanjeev Panda: Okay and what is it likely to be in next year FY11?

G. R. K. Prasad: FY11 the debt could go up a little bit because of 64 MW coming on. We expect that to be about Rs. 40 crore up beyond that I do not think it will go, because there is repayment as well of roughly about Rs. 40 crore.

Sanjeev Panda: Okay and cash position of the company for FY10?

G. R. K. Prasad: As on date, it is Rs.620 crore.

Sanjeev Panda: What was the current development on the Zambian front?

G. R. K. Prasad: Zambian company has been taken over, we are in the management team right now. Our first task is to revive the mine operations which have been shut for quite sometime. Our team is now working on the processes and equipments to see that the mine revival takes place probably in about 3-4 months. We expect to have the coal trading commence sometime in September for high grade coal. Initially, we expect about 10,000-15,000 tonnes a month to be scaled up to about 30,000 tonnes. This year our targeted extraction is close to about 200,000 tonnes and once the processes are stabilized we will increase to about 600,000 to 1 million tonnes next year.

Sanjeev Panda: Yes got it. And one last thing what would be the gross block for FY10?

G. R. K. Prasad: Gross block was Rs. 919 crore plus capital work in progress of Rs. 119 crore.

Sanjeev Panda: Okay, thank you.

Moderator: Thank you. The next question is from the line of Pankaj Sharma from UBS Securities (India) Pvt. Limited. Please go ahead.

Pankaj Sharma: Sir two questions. One is these 2x150 MW power plants for which you have achieved financial closure. Is there any investment that has already taken place in these power projects?

G. R. K. Prasad: The investment is the initial investment for land procurement and development. The initial advance for the BTG is expected probably in a month's time.

Pankaj Sharma: Okay so about 5-10% of project cost would have already been invested in the land in advance.

G. R. K. Prasad: Yes.

Pankaj Sharma: Okay. And in terms of your other plans, as your results also reflect that power has become a very important part of your overall business strategy and portfolio, what are the expansion plans you have at this point of time, other than this 300 MW which you have already achieved financial closure for?

G. R. K. Prasad: Well, our present ongoing expansion is 64 MW in Orissa is one which will come on stream by December 2010. Apart from these two in India currently no plants are proposed. So, the concentration is now on the Zambian plant where coal mining will commence maybe in about four months time and we expect to have financial closure for 300 MW power plant probably by December 2010 to March 2011. That plant also will be implemented over the same time period as the Indian 300 MW power plants or with one year gap.

Pankaj Sharma: Okay so FY14 or FY15 would be the commissioning of these 300 MW units?

G. R. K. Prasad: Yes.

Pankaj Sharma: Okay thanks very much.

Moderator: Thank you. The next question is from the line of Jay Shah from Reliance Capital Asset Management Ltd. Please go ahead.

Jay Shah: Could you give us your production target for Ferro Alloys for this year for FY11?

G. R. K. Prasad: FY10 we produced roughly about 43,000 MT and FY11 also we will be probably targeting level of production of about 65,000 MT, excepting for one factor which is relating to Ferro Chrome. As you know we were producing Ferro Chrome more as an opportunistic case because about 10 MW of our power was left stranded on account of limitation on the transmission line. Now that transmission line is more or less ready, probably in a month's time, we should be able to sell the entire power that is generated in which case the production level what we are contemplating roughly at about 65,000 MT could probably come down with reference to Ferro Chrome. We expect Ferro chrome production of about 20,000 MT this year which was based on this plan. if the power line is ready and we have an ability to build the power house, then we could reduce the Ferro Chrome production.

Jay Shah: Okay net would be around 60,000 MT or so?

G. R. K. Prasad: Around 60,000 MT.

Jay Shah: Okay and what sort of margins you are targeting for Ferro Alloys? The same margins as you did in Q4 or higher margins than Q4 level?

G. R. K. Prasad: Should be better than Q4 because in Q4 the price realizations though were higher,. we did not have the advantage of low cost ore which we would obtain this year. But again this is subject to how ore prices move up. As per the present margin matrix we should do definitely much better than what we did in the last year.

Jay Shah: Last year for Q4 levels or

G. R. K. Prasad: I mean even better than Q4 levels.

Jay Shah: Okay and what sort of increase are you targeting at the current level as current ore prices go, what sort of increase for Q4 levels could we expect.

G. R. K. Prasad: As we speak the EBITDA margins for Silico Manganese are around Rs. 10,000 per tonne.

Jay Shah: Okay Silico Manganese and about the rest?

G. R. K. Prasad: Now we are producing only Silico Manganese and Ferro Chrome in Orissa. Silico Manganese is giving us this kind of EBITDA margins. Ferro chrome is much lower, let us say about Rs. 5,000 per tonne.

Jay Shah: What would be the Silico Manganese EBITDA margins sir?

G. R. K. Prasad: Rs. 10,000 a tonne.

Jay Shah: Okay and sir regarding your power what sort of generation are you targeting for FY11? What could be the PLF for FY11 considering the 64 MW plant is coming in December so that will around three months, so what could be the total target generation for FY11?

G. R. K. Prasad: See we generated about 1,560 million units for FY10. Our target generation for FY11 is around 1700 million units.

Jay Shah: And the rates you said will be same as the Q4 rates, right?

G. R. K. Prasad: Q4 rates were higher. The average realizations have actually come down in the first quarter of current year which was Rs. 4.75 unit. We are looking at the average realizations of this year of Rs. 4.75 per unit which is lower than what we obtained last year.

Jay Shah: Okay and what could be the EBITDA margins for power you are targeting for FY11?

G. R. K. Prasad: That should be about Rs. 2.75 per unit.

Jay Shah: Okay and could you give your CAPEX for next three years, total CAPEX considering the 300 MW plant and everything for FY2011, FY2012, FY2013 what could be your CAPEX if you could give some color on that?

G. R. K. Prasad: We have the 64 MW power plant which is ongoing r. On that the balance CAPEX is about Rs. 80 crore. Then we have the two 150 MW units which have a CAPEX of roughly Rs. 1,500 crore with equity of about Rs 425 Crs which will be spread over three years, equally. And then comes the equity investment which is required for overseas projects which is about USD 130 million which again will be spread over two years.

Jay Shah: Okay. And what is the general maintenance CAPEX?

G. R. K. Prasad: That's about Rs. 30-40 crore every year.

Jay Shah: Okay and sir what kind of sales you could generate from the coal trading from FY11 from your Indonesian mine, what kind of revenue you would be generating from that?

G. R. K. Prasad: FY11 the target extraction and sales is about half-a-million tonnes.

Jay Shah: And at what rate?

G. R. K. Prasad: Its indicative, its USD 50 per MT as the sale price.

Jay Shah: Okay and how could the production scale up in FY12 and FY13?

G. R. K. Prasad: Roughly about a million each.

Jay Shah: Okay sir I will come back for more questions, thank you very much.

Moderator: Thank you. The next question is from the line of Sachin Kasera from Lucky Securities. Please go ahead.

Sachin Kasera: Yes sir one question regarding Zambia. Once the entire coal mine is developed and the power plant is up what is the total equity contribution that will have to be put in by Nava Bharat?

G. R. K. Prasad: USD 135 million as of now for the 65% stake.

Sachin Kasera: That will take care of even the power plant and the entire coal development.

G. R. K. Prasad: Yes, that is the equity portion of the Capex.

Sachin Kasera: That is our stake of 65% isn't it sir?

G. R. K. Prasad: Correct.

Sachin Kasera: How much of that we have put in initially?

G. R. K. Prasad: As of now a shareholder loan has been advanced for about . USD 26 million

Sachin Kasera: Another USD 110 million over the next 24-36 months?

G. R. K. Prasad: Over 24 months' time. I think that is the right time.

Sachin Kasera: And in case of Zambia once the entire project is fully complete, you have mentioned that we will have 300 MW of power plant what is the type of coal production that time that will be there, will it be just sufficient for captive or we will have sufficient coal to sell in the merchant market?

G. R. K. Prasad: No, there are two grades of coal, the coal which will be traded from September onwards relates to high grade coal which has about 6,000 kilo calories of GCV. It so happens that the low grade coal , intended for power generation happens to be in the upper seams Next two years what the company will do is to keep that low grade coal aside and once the power plant comes that low grade coal will be used. So, the high grade coal trading will continue even after the power plant because that is independent of the power grade coal for the proposed power plant.

Sachin Kasera: What will be the peak production for high grade coal?

G. R. K. Prasad: The peak production next year is about 600,000 tonnes and following year is a million tonnes which is the targeted production. This year of course, for the balance period we are not looking beyond 200,000 to 300,000 tonnes.

Sachin Kasera: So at peak we can sell around a million tons from there?

G. R. K. Prasad: Correct ,of the high-grade coal.

Sachin Kasera: And our share of that will be 65%

G. R. K. Prasad: Correct.

Sachin Kasera: Sir what could be the cost of production for coal both in Indonesia and Zambia?

G. R. K. Prasad: Indonesia the FOB cost is about USD 35 and in Zambia, it is USD 40 ex-mine.

Sachin Kasera: But being a high-grade coal, will the realizations be better for Zambia compared to what we will be getting in Indonesia, Indonesia is indicated at around USD 50 currently?

G. R. K. Prasad: Actually, the USD 50 includes roughly about USD 10-12 markup which is captured in our Singapore company by way of 75% economic interest. In Zambia, the cost is about USD 50 to the ex-mine. So you can say about USD 10 will be markup with 65% being shared by us.

Sachin Kasera: Sir any update in terms of initiatives on developing captive mines on the Ferro side.

G. R. K. Prasad: The exploration is going on, see we were looking at some mine in Indonesia and it turned out to be of not that good quality mine and then we had to abort it. So we are now looking at other areas, other places where manganese potential exists.

Sachin Kasera: Sir you mentioned that in the current year the production will be around 170 crore units. How much of that are we targeting to sell in the merchant market sir approximately based on production of Ferro Alloys.

G. R. K. Prasad: I think the merchant sale will be close to about 1600 MU

Sachin Kasera: Against 1385 MU for this year?

G. R. K. Prasad: Yes.

Sachin Kasera: Around 6 to 7% increase?

G. R. K. Prasad: Yes.

Sachin Kasera: And are you still looking for acquisitions because going by the type of cash that you have in the balance sheet the next 2 years expected cash flows would be significantly larger than the planned equity equation both for the 300 MW plot in India as well as Zambian operation, so are we looking at some more opportunities into growth and what areas are we looking at?

G. R. K. Prasad: Our current focus lies in power only and power related, so either power or coal is what we are looking at. Some investments initiatives are being evaluated in those areas.

Sachin Kasera: But again sir in power, like Zambia we are looking at more opportunities on the overseas, are the opportunities available, now its going to be predominantly on the domestic side?

G. R. K. Prasad: We are hoping to do both. So I cannot say we are completely in one geographical segment or anything like that.

Sachin Kasera: And sir in Zambia, what will be the cost of power from this inferior quality coal that you are going to accumulate, what will be the cost of production there sir?

G. R. K. Prasad: It is too early to make an informed statement, but from the estimate what we have made, we expect to generate power roughly at about five-six cents.

Sachin Kasera: That is sir with interest depreciation or without that sir?

G. R. K. Prasad: Everything included and also including the coal transfer price which is about USD 20 per MT.

Sachin Kasera: And sir how are the selling arrangements in Zambia for power, is it that like you may have to sell through PPAs or you can sell through merchant market how does it exactly work in case of Zambia?

G. R. K. Prasad: We plan on a long term PPA, with proper payment security mechanism and which is going to be used by Zambia predominantly. So our first customer will be Zambian Utility.

There are other customers like copper companies and there is another opportunity with Zambia being integrated in Southern African Power Pool. There is a vast amount of opportunity for sale of power.

Sachin Kasera: But sir like India, there is an opportunity to sell in the merchant there also, does the regulations permit that?

G. R. K. Prasad: They do, but that is for the short term window kind of an opportunity, **Sachin Kasera:** And sir what are the long-term PPAs around like you know, currently being done in case of Zambia indicatively.

G. R. K. Prasad: This is the only one Coal based power generation plant in Zambia. They have PPAs stuck with some hydel power plants, they are slightly different in the sense of pricing but we expect about 25% equity return.

Sachin Kasera: That is the way we are looking at doing the 25% equity return. Okay sir.

Mitul Mehta: Mr. Prasad, this is Mitul Mehta. Just wanted to get some sense on the current price trend in chrome ore, at what price are we buying currently?

G. R. K. Prasad: The chrome ore market is controlled by OMC, OMC does quarterly auction process, by which the prices are determined. Currently, the chrome ore price is around 16,000 a tonne ex mine.

Mitul Mehta: Okay great. Thank you.

Moderator: Thank you Mr. Kasera. The next question is from the line of Vineet Maloo from Birla Sun Life AMC Ltd. Please go ahead.

Vineet Maloo: Sir my understanding was that you had written-off some inventory earlier in Q4 of last year and but what we were seeing in this quarter again you have used some high-cost inventory. So I am just wondering that how much of such inventory is sitting on books currently and at what valuations, if you could just tell us about each material?

G. R. K. Prasad: The high-cost inventory is more or less liquidated. Last year when the prices fell we had to provide for the diminishing value of raw material inventory to the extent of about Rs. 60 crore which inventory effectively got liquidated this year, the provision stands nullified. **Vineet Maloo:** Okay sir going forward what all material will be used, will have the current cost only?

G. R. K. Prasad: More or less yes.

Vineet Maloo: And just secondly this power segment, just wanted to ask our realization in Q4 was lower compared to Q3 whereas I understand seasonally, it is generally a better quarter for us.

G. R. K. Prasad: Well, we were also hoping that the quarter January-March would be much better, but it turned out to be definitely weaker than the earlier quarter on account of the inability of the distribution companies to buy power. There were occasions when they stopped buying and resorted to power cuts rather than buying at higher rate. Secondly as you might have known, we had to take a shut down of our 20 MW power plant for about 40 days in Q4 and to that extent also we had to take the brunt.

Vineet Maloo: But that shut down should not impact your average realization right because your generation is almost same as Q3.

G. R. K. Prasad: No, it is not actually. Q3 is not representative, because in Q3 we had a turbine overhaul at our principal works, which also reduced the generation by a month.

Vineet Maloo: Okay, so both the quarters have some loss of production you are saying?

G. R. K. Prasad: Yes, Q3 was in fact higher than Q4.

Vineet Maloo: It was higher, I am saying not significantly higher though.

G. R. K. Prasad: Not significantly higher.

Vineet Maloo: Sir going forward, where do we see these merchant power realizations because as such the trend apparently that is coming at the 'Discoms' are becoming more and more concerned about their own financial positions and they are resorting to demand management rather than procuring power at any cost, so what is your opinion about future merchant power prices.

Trivikrama Prasad: That has already happened in the fourth quarter like buying at any price was not what they wanted to look and coming back to the future of this kind of merchant power, there is going to be some future, but I do not think prices are going to be unlimited. There are going to be some limitations between maximum may be Rs. 5 per unit and average may be Rs. 4-4.50 per unit, I think you can see these kind of prices in the next couple of years and even may be earlier too.

Vineet Maloo: So for going ahead into next few quarters, have you contacted any power to sell at certain prices?

G. R. K. Prasad: We have some contracts and we have offers for other contracts as well which is where we came to that average number of Rs. 5 per unit realization.

Vineet Maloo: Okay so average third party sales should be at around Rs. 5 for the number of quarters.

G. R. K. Prasad: Rs. 5 per unit, excluding that which is going to GRIDCO.

Vineet Maloo: How much is going to the GRIDCO?

G. R. K. Prasad: GRIDCO, we will sell about 20 MW.

Vineet Maloo: Okay and also whatever you transferred to your Ferro Alloys division.

G. R. K. Prasad: That is at transfer price,.

Vineet Maloo: Okay and sir in employee cost mentioned you had made provisions for gratuity, so could you quantify that amount?

G. R. K. Prasad: Well, I do not have it right away, is it okay if I can give it later?

Vineet Maloo: Not an issue sir. That is it from my side sir. Thank you very much.

Moderator: Thank you. The next question is from the line of S. Vijayaraghavan from Spark Capital Advisors (I) Pvt Ltd. Please go ahead.

S. Vijayaraghavan: Sir what is the disconnect between standalone debtors and the consolidated debtors sir, seeing Rs. 145 crore in standalone which is coming down to Rs. 91 crore in our consolidated balance sheet.

G. R. K. Prasad: The difference lies in the money that is lying with our Singapore subsidiary. The Ferro Alloys trade takes place through our Singapore subsidiary and the money is brought in phases. So whatever money that is lying in Singapore is shown as debtor in standalone whereas at a consolidated level because it is already realized that gets nullified to that extent.

S. Vijayaraghavan: Okay, so can you give some sense on where exactly the pricing of Silico Manganese, Ferro Alloys, and Ferro Chrome is as of now?

G. R. K. Prasad: Silico manganese is around Rs. 57,000 per tonne, We are not doing Ferro Manganese. Ferro Chrome is about Rs. 66,000 per tonne.

S. Vijayaraghavan: Rs. 66,000 per tonne and this is as of current prices, right?

G. R. K. Prasad: Current prices.

S. Vijayaraghavan: Okay, next thing is in terms of Zambia what sort of equity investments are required to make in this current year?

G. R. K. Prasad: Current year, we expect it to be about USD 50 million.

S. Vijayaraghavan: Okay sir that is about it.

Moderator: Thank you. The next question is from the line of Subhadip Mitra from Edelweiss Securities Limited. Please go ahead.

Subhadip Mitra: Sir my question pertains to the coal mines, what I understand is from Indonesia as you just mentioned you are looking at producing somewhere around 15,000 tonnes in current year which would primarily be used for the 20 MW captive plant in India, am I right?

G. R. K. Prasad: No, In Indonesia the plan is to extract and sell about half a million tonne.

Subhadip Mitra: In the current year?

G. R. K. Prasad: In the current year, once the extraction commences may be from July onwards and of that about 15000 tonnes a month will be used by our 20 MW power plant. So, roughly about 100,000 tons this year.

Subhadip Mitra: So the total production from there would be about 100,000 tonnes in the current year.

G. R. K. Prasad: Total production will be about half a million tons as per the plan. Of that 100,000 tonnes will be used by our Indian power plant. There is no differential as such even for our Indian 20 MW power plant also the price remains at USD 50 only. So, that is the transfer price.

Subhadip Mitra: And we are saying that we are starting production from July, so then the balance amount of coal that we plan to sell in the open market, do we have any contracts signed?

G. R. K. Prasad: We plan on getting into contracts once the extraction commences.

Subhadip Mitra: Okay and sir what would be the moisture content in this coal.

G. R. K. Prasad: 28%.

Subhadip Mitra: 28% and we plan to sell it at USD 50 kind of pricing?

G. R. K. Prasad: Yes.

Subhadip Mitra: And going forward that is in next year in FY12 and in FY13 before our own power plants come up in India, we will continue to sell about 1 million tonne is that what we are targeting for FY12?

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

Subhadip Mitra: Okay so again 100,000 tonnes would continue for the 20 MW plant?

G. R. K. Prasad: 180,000 tonnes roughly or about 200,000 tonnes on a full year scale.

Subhadip Mitra: We are going to be taking excess coal of 100,000 tonnes in FY12 for which plant? for the Orissa plant?

G. R. K. Prasad: For the 20 MW plant only. **Subhadip Mitra:** So the balance 800,000 odd tonnes we are looking at a merchant kind of export driven. And in this particular Indonesian coal mine, what would be the current amount that we have already invested?

G. R. K. Prasad: We have for 75% stake, USD 15 million is earmarked. Of that, USD 4 million has been spent, so USD 11 million is left to be spent.

Subhadip Mitra: Okay this again would happen over the next two years?

G. R. K. Prasad: No, once the coal extraction commences, then we have a timeframe, 5 to 6 months by when we can pay and take the control.

Subhadip Mitra: But this would be primarily for 75%?

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

Subhadip Mitra: Right, so do we plan to ramp the 75% economic interest to 100% in due course of time?

G. R. K. Prasad: There are indications that it can go up to 90%, not beyond anyway.

Subhadip Mitra: And then for the excessive 10-15 odd percent, how much would we be looking at?

G. R. K. Prasad: On a proportionate basis, it is about USD 3 million.

Subhadip Mitra: So what we could look at USD 11 million kind of an expenditure in FY11 itself for the balance amount.

G. R. K. Prasad: Yes, USD 11 to 14 million depending on what stake.

Subhadip Mitra: Understood and similarly what would be the outlay that we are looking at in Zambia?

G. R. K. Prasad: About USD 50 million

Subhadip Mitra: This is for the 65% stake that we have.

G. R. K. Prasad: Correct.

Subhadip Mitra: And of this again we have already paid USD 20 million and the balance is to be paid.

G. R. K. Prasad: Well, balance is to be paid, USD 26 million is already kept in as a Shareholder loan but another USD 30 million would go probably in second half.

Subhadip Mitra: Okay, another USD 30 million in second half of the current year and the balance probably in FY2012?

G. R. K. Prasad: Balance would spread over in FY2012 and FY2013 as well.

Subhadip Mitra: Okay, but that would be a small amount hardly USD 10 million by comparison, right?

G. R. K. Prasad: Yes.

Subhadip Mitra: And in the power plant also we would have 65% stake.

G. R. K. Prasad: Yes, this is an integrated project, coal mine and power plant.

Subhadip Mitra: And in this case, in case of Zambia since again we have high-grade coal that would be available to us, are we looking at selling that high-grade coal even in the current year itself?

G. R. K. Prasad: Part of it yes, but in the second half we plan on selling about 200,000 tonnes.

Subhadip Mitra: Okay 200,000 to 300,000 and this would be the 6,000 kcal allot coal.

G. R. K. Prasad: Right.

Subhadip Mitra: And for this have we entered into any kind of contract per se?

G. R. K. Prasad: No, it is meant for Zambia. The whole thing is depending on how soon we can get the mine revived. Till the coal actual extraction takes place, we would not get into the contract.

Subhadip Mitra: Okay so when are we expecting the actual coal extraction for Zambia?

G. R. K. Prasad: From September.

Subhadip Mitra: September onwards. So possibly over the next 6 to 8 months, once the actual coal extraction starts from both these mines Indonesia as well as Zambia, we could look at entering contracts.

G. R. K. Prasad: Yes. Once this extraction commences, contracts will be natural follow up.

Trivikrama Prasad: Situation in Zambia is much more since conducive for businesses and things like that. It is already a growing business and it had some financial troubles and things like that. Where as Indonesia, there are all other issues involved and the legal system is not that strong and compared to in Zambia. Zambia has a law which is more like us or in English law. So extraction, labour laws, everything they are basically more like what we do and so that is the situation and communication is much easier one and they speak good English and things like that. So this is just some information which is what we are trying to share with you.

Subhadip Mitra: Absolutely, much appreciated. So in that sense we are expecting a faster execution and possibly better profitability from Zambia.

Trivikrama Prasad: I think that is more because of the power plant. The overburden of the Zambian coal mine is better than the coal that we get here for generating power; it has more calorific value.

Subhadip Mitra: So that is what around 4000?

Trivikrama Prasad: Yes, around that and the high grade coal is about 6000 plus which is used by the neighboring countries and in companies like Lafarge which are already in existence and if they need this coal which is right now being imported from the neighboring country, Zimbabwe or sometimes even further up. So that is another advantage that we have with this.

Subhadip Mitra: So in case of Indonesia, then would we be looking at further road blocks going ahead since there are possibly still issues there?

Trivikrama Prasad: I think we have overcome the main one. Let us see. We should have a positive attitude on this.

Subhadip Mitra: Okay. Sir, last question is with regard to I mean over and above the investment that we are making for acquiring the economic interest, etc., are we looking at doing any further CAPEX in these mines because that would also entail some amount of outlay?

G. R. K. Prasad: We do not look at the own mining plan now, it is through contract mining in Indonesia. So CAPEX might not be called for.

Subhadip Mitra: Lastly sir the margins that you were talking about for power currently you mentioned is around Rs. 2.70 per unit, Rs. 2.75 per unit odd, these are for the existing capacities?

G. R. K. Prasad: Right.

Subhadip Mitra: Now in case of Orissa also, can we assume a similar kind of a margin?

G. R. K. Prasad: I expect this will hold good atleast for the next two years.

Subhadip Mitra: Because our cost of generation on that count would be somewhere close to Rs. 2.30 odd per unit?

G. R. K. Prasad: Around that much.,

Subhadip Mitra: Okay, fine sir that is all from my side. Thank you so much.

Moderator: Thank you Mr. Mitra. The next question is from the line of Chiraj Khasgiwala from Emkay Global financial Services Ltd. Please go ahead.

Chiraj Khasgiwala: Sir, from where are we sourcing our manganese ore requirement currently?

G. R. K. Prasad: Currently the ore is sourced from MOIL and imports.

Chiraj Khasgiwala: And is it on contract basis or what?

G. R. K. Prasad: There is nothing like contract, no more, because no supplier is getting into contract for manganese ore.

Chiraj Khasgiwala: So we are entirely buying on spot basis ?

G. R. K. Prasad: Yes.

Chiraj Khasgiwala: What is the difference between the imported ore price and the MOIL price?

G. R. K. Prasad: Our imported ore quality is better, but otherwise the price is same more or less for, high-grade manganese ore. In fact imported ore price is little lower as it is delivered compared to the Manganese Ore India Limited price.

Chiraj Khasgiwala: What will the current cost be?

G. R. K. Prasad: Our blended cost is about Rs. 14,000 per tonne which includes high-grade ore then fines apart from imported ore, etc.

Chiraj Khasgiwala: This is the average cost?

G. R. K. Prasad: Exactly.

Chiraj Khasgiwala: Sir in Ferro Alloys what would be your cost of production currently?

G. R. K. Prasad: Silico Manganese, the cost would be about Rs. 48,000 per tonne.

Chiraj Khasgiwala: These are all inclusive costs, right?

G. R. K. Prasad: All inclusive.

Chiraj Khasgiwala: And Ferro Chrome?

G. R. K. Prasad: Ferro Chrome is about Rs. 65,000 per tonne.

Chiraj Khasgiwala: This is your cost of production?

G. R. K. Prasad: I am talking about cost of production.

Chiraj Khasgiwala: Realization for Ferro Chrome is around Rs. 66,000 tonne, so we are hardly making any margin on ferrochrome?

G. R. K. Prasad: That is right because we have no option, but to produce because we are otherwise stranded with our 10 megawatt power.

Chiraj Khasgiwala: What is the total current power generating capacity, 225 MW?

G. R. K. Prasad: 228 MW.

Chiraj Khasgiwala: And out of this how much is captive and how much is being sold in merchant market?

G. R. K. Prasad: Captive is about 40 MW.

Chiraj Khasgiwala: Okay sir, thank you sir.

Moderator: Thank you. The next question is from the line of Sunil Jain from Nirmal Bang Securities Ltd. Please go ahead.

Sunil Jain: Just a clarification in the last quarter that is the fourth quarter realization, was merchant power Rs. 4.75 per unit or is it an average realization?

G. R. K. Prasad: It is about average Rs. 5.50 per unit for merchant power.

Sunil Jain: Rs. 5.50 average or only merchant power?

G. R. K. Prasad: I am talking about merchant power only.

Sunil Jain: Okay and then GRIDCO, what was the realization?

G. R. K. Prasad: Rs. 3 per unit.

Sunil Jain: In the current quarter that is the first quarter you were talking about merchant power realization of around Rs. 4.25 per unit?

G. R. K. Prasad: 4.75 per unit.

Sunil Jain: Rs. 4.75 per unit and GRIDCO will be the same?

G. R. K. Prasad: Yes.

Sunil Jain: And sir last quarter, what was the realization as you said that current realization was Rs. 57,000 per tonne for Silico Manganese, in Q4 what was the realization?

G. R. K. Prasad: Silico Manganese in Q4 was around Rs. 53,000 per tonne or so, the marginal increase is there..

Sunil Jain: And Ferro Chrome?

G. R. K. Prasad: Ferro Chrome was about 64,000 per tonne.

Sunil Jain: And there is further increase of around Rs 2000 per tonne or something?

G. R. K. Prasad: It is accompanied by lower prices as far as chrome is concerned.

Sunil Jain: And this OMC which supplies this ore, that is again on spot basis only or auction basis only, no long-term contract with them?

G. R. K. Prasad: No long-term contract with anybody, nobody has any contract.

Sunil Jain: OMC sells everything on auction basis?

G. R. K. Prasad: Yes. They do it on a quarterly basis.

Sunil Jain: They fix up the prices on a quarterly basis.

G. R. K. Prasad: Yes.

Sunil Jain: Right sir and any development on your real estate project?

G. R. K. Prasad: Nothing.

Sunil Jain: The SEZ with Mantri is still pending.

G. R. K. Prasad: It is there, but no real progress.

Sunil Jain: Thank you very much.

Moderator: Thank you. The next question is from the line of Amol Kotak from ASK Investment Managers. Please go ahead.

Amol Kotak: Last year, the production of Ferro Alloys was 42,000 tonnes and this year you are saying it will be less than last year?

G. R. K. Prasad: No, it will be about 60,000 tonnes this year.

Amol Kotak: So you are increasing the production target.

G. R. K. Prasad: Yes.

Amol Kotak: Okay and broadly this will be Silico Manganese.

G. R. K. Prasad: Part of it will be Ferro Chrome also. Ferrochrome, I expect to be about 15,000 tonnes.

Amol Kotak: 15,000 tonnes, but since we are earning better margins in power, why not sell power and keep Ferro Alloys at a lower basis?

G. R. K. Prasad: In Silico Manganese, the realization is comparable, but Ferro Chrome, we cannot do that because we do not have the line capacity to move the power out,. The second line is getting commissioned probably this month. So after next two months, we are looking at that opportunity to stop ferrochrome and sell the power out.

Amol Kotak: Second question you said about 1,700 million units of production, this is including the 20 MW power plant?

G. R. K. Prasad: Yes.

Amol Kotak: So could you just give me the broad breakup of the offtake of this, roughly how much of this 10% would be for Ferro Alloys, GRIDCO of these units and the balance merchant power?

G. R. K. Prasad: Ferro Alloys convention could be about roughly 210 million units, balance is meant for merchant sale.

Amol Kotak: So GRIDCO would be about 140 million units?

G. R. K. Prasad: Yes.

Amol Kotak: And the balance would be merchant power.

G. R. K. Prasad: Correct.

Amol Kotak: And what sort of PLF are you counting when you say 1,700 million units?

Prasad: About 90% on an average.

Amol Kotak: 90% has there been any revision in the GRIDCO rates?

G. R. K. Prasad: There was a revision, but the GRIDCO has not paid, so we are reckoning Rs. 3 per unit, in between there was an order that it should be raised to 3.30 but they have not paid.

Amol Kotak: Okay, so it remains at Rs. 3 per unit.

G. R. K. Prasad: Yes.

Amol Kotak: Okay and this merchant power rates which we are talking of Rs. 4.75 per unit, you have contracted this for the first 6 months?

G. R. K. Prasad: Right.

Amol Kotak: Okay, thank you very much.

Moderator: Thank you. The next question is a follow up from the line of Sanjeev Panda from Karvy stock broking. Please go ahead.

Sanjeev Panda: Sir on Indonesia mine share, I just wanted to confirm the stake you had.

G. R. K. Prasad: Indonesian mine is more of 100% off take right and economic interest is to the extent of about 75%.

Sanjeev Panda: Sir regarding Zambia and Indonesia both the power plants, what could be the tariff you are looking at for Zambia and Indonesia?

G. R. K. Prasad: No, in Indonesia there is no power tariff. Zambia of course, the tariff is to be finalised. But we are targeting an equity return of about 25% for a long-term PPA.

Sanjeev Panda: And sir currently you said that 4.75 per unit was the merchant power rate in the last quarter, but how the scenario has changed like or are things likely to be in the same trend? How much are you realizing in pure merchant basis currently in the last one or two months?

G. R. K. Prasad: That is the rate we are realizing. So our expectation is it could go up marginally, with the average realization being around Rs. 5 per unit for this year.

Sanjeev Panda: So this includes blended for the whole power units or only merchant power that you are saying?

G. R. K. Prasad: Only merchant power.

Sanjeev Panda: And sir the last question is on the inventory position for FY10 how much it would be around?

G. R. K. Prasad: We have an inventory of about Rs. 281 crore as of March 2010.

Sanjeev Panda: Thank you sir. That is it from my side.

Moderator: Thank you. Ladies and gentlemen this was the last question. I would now like to hand the floor back to the management of Nava Bharat for closing comments. Please go ahead sir.

Trivikrama Prasad: Thank you very much. Is there any other further issues, they can always keep in touch and Mr. Prasad or me like to answer them.

Moderator: Thank you gentlemen of the management. Ladies and gentlemen on behalf of Nava Bharat Ventures that conclude this conference call. Thank you for joining us and you may now disconnect the lines.

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