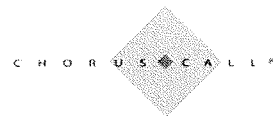
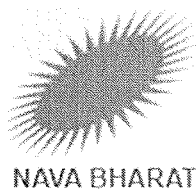




“Nava Bharat Ventures Limited
Q3 FY2019 Earnings Conference Call”

February 08, 2019



ANALYST:

MR. ABHINEET ANAND – SBI CAP SECURITIES

MANAGEMENT:

**MR. GRK PRASAD – EXECUTIVE DIRECTOR –
NAVA BHARAT VENTURES LIMITED**

**MR. T. HARI BABU – CHIEF FINANCIAL OFFICER –
NAVA BHARAT VENTURES LIMITED**

**MR. PJV SARMA – DIRECTOR –
NAVA BHARAT PROJECTS LIMITED**

**MR. MN RAO – VP FINANCE –
NAVA BHARAT VENTURES LIMITED**

**MR. VSN RAJU – COMPANY SECRETARY & VP -
NAVA BHARAT VENTURES LIMITED**





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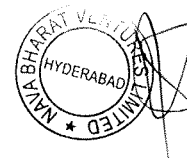
Moderator: Ladies and gentlemen! good day and welcome to the Nava Bharat Ventures Limited Q3 FY2019 Earnings Conference Call hosted by SBICAP Securities. As a reminder, all participants' lines will be in the listen-only mode. There will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call please signal an operator by pressing "*" and then "0" on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Abhineet Anand from SBICAP Securities. Thank you and over to you Sir!

Abhineet Anand: Thanks Bikram. I welcome everyone to Q3 FY2019 post results conference call of Nava Bharat Ventures Limited. From the management, we have Mr. GRK Prasad, Executive Director, Mr. T. Hari Babu, CFO, Mr. P.J.V Sarma, Nava Bharat Projects Limited Director, Mr. MN Rao, VP Finance, Mr. V.S.N Raju, Company Secretary. We will directly open the floor for the Q&A as the press release has been put on BSE. Bikram you can open the floor directly for the Q&A.

Moderator: Thank you very much Sir. Ladies and gentlemen we will now begin the question and answer session. We have the first question is from the line of Mohit Kumar from IDFC Securities. Please go ahead.

Mohit Kumar: Good afternoon Sir. Congratulations on good set of results. Sir I have two questions, first is on Zambian receivables what you have heard from the government and when do we expect the entire receivables to be liquidated and what is the amount right now? Second question is on the Indian operations for Q3 FY2019, Q3 last quarter again there was the PLF of IPP especially for 150 MW power plant was at 42%, do you expect it to pick up in Q4 and Q1 FY2020 and how do you see beyond Q1 FY2020 for this power plant?

GRK Prasad: Now coming to Zambian receivables, they stood at about \$169 million as at December 31, 2018 roughly about six months of normative bills/ receivables. The government and ZESCO have started looking at liquidating the receivables through a bond program, which is for about \$500 million. We are told that, it will be done in two tranches. The first tranche is expected to be realized very soon probably in the next two months against which they want to liquidate all the outstanding receivables. Second tranche is more for their internal sectorial adjustments and so we expect the receivables to be addressed through this bond program. While in parallel we are also engaging with the government and also the local utility called ZESCO to increase the monthly payment which has been around 45% of the billed amount. It used to be about 35%, but has now gone up to 45% and we were putting some efforts to see that number is increased so that this kind of bunching of receivables does not recur and outstanding receivables are paid. So our expectation is that the receivable issue should be behind us in the next few months probably, two to three months. We are obviously tied to the bond issue and we are told that it is in very advanced stage by the government and local utility. We will probably have some success in the monthly payment also but that probably will take some time because it requires credit





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enhancement and proper tying up of extra receivables to our account. Coming to 150-MW power plant of our step-down subsidiary at Paloncha in Telangana, it performed at 42% PLF, but given the spurt in IEX prices in October and little later we have been able to breakeven this quarter in this unit and the expectation is that Q4 might have a better run, on account of this bilateral contract with the distribution companies and two- the rate is slightly better on bilateral contract basis though the IEX prices are still ruling low at this point of time. The distribution companies are taking about 70% of the committed off-take and so we put the balance through IEX and mostly it is going in the peak hours. As far as FY 2020 is concerned and it is too early to talk about it, but expectation is that it is going to be better than what has been in the case so far as the unit does not have any maintenance program for next year, so PLF should be better.

Mohit Kumar: One more question Sir, there is a huge deferred tax expense in the Maamba Collieries Limited income statement, I think that is entirely non-cash right?

GRK Prasad: Yes, both deferred tax provision as well as the MTM provision, which is done on interest rates swap contracts that the company had with the international lenders both are on non-cash basis.

Mohit Kumar: What is the MTM number Sir in the quarter?

GRK Prasad: The result statement has the details.

Mohit Kumar: Okay Sir. I will look.

GRK Prasad: In both standalone and consolidated, the loss is captured in our expenses and gain in the preceding period was shown as other income, and details of both were given in the result sheet.

Mohit Kumar: Thank you.

Moderator: Thank you Sir! We have next question from the line of BV Bajaj from Bajaj Shares & Securities. Please go ahead.

BV Bajaj: Good afternoon! Congrats for excellent performance and consolidated revenue almost increased by 41% for year-on-year, going forward do we expect that the gross revenue may cross Rs.3,300 Crores and second question is that there is finance cost, which has gone up almost by 73% so, is there any capex undergoing or nearing completion as finance cost has gone up?

GRK Prasad: From the revenue side, the revenue will be split more or less 50:50 between Zambian operations and Indian operations. We probably are expecting on a nearly basis about Rs.3,000 Crores that is on a normative basis, but once the power plant crosses normative PLF then increased revenues will accrue. In terms of finance cost, if you see Zambian power unit went on commercial mode last year that is from August 2017, so there is corresponding increase in finance cost being captured on account of that is one reason. In the standalone account, we took over the loan up by





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about Rs.155 Crores from our step-down subsidiary so relative finance cost is captured in finance cost, but the corresponding income is being shown as part of the other income.

BV Bajaj: Thank you Sir.

Moderator: Thank you. We have next question from the line of Vinod Malviya from Florintree Advisors. Please go ahead.

Vinod Malviya: Good afternoon Sir! My question is on the receivables in this quarter, if I look at the September you had receivable at Zambia of \$130 million which has increased to \$170 million by end of December and the revenue for the quarter was almost \$60 million, if I do a simple maths over here, you only received something around \$4 million in this quarter, is the number right?

GRK Prasad: You are talking about Q2 right?

Vinod Malviya: Yes.

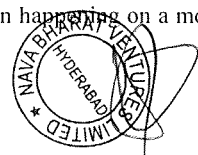
GRK Prasad: Q2 receivables increased on a monthly basis by about \$18 million on a billing side, which is reduced to the extent of about \$20 million by the end of December.

Vinod Malviya: You had \$114 million at the end of September 30, 2018 if I add \$60 million of revenue during the quarter, had you not received any receivable during the quarter? Your total receivable should have been \$174 million, but at the end of December, receivables have come down to \$169 so basically you only received \$4 million during the quarter that is what I am working with?

GRK Prasad: I will get back to you on this Vinod

Vinod Malviya: Technically, because you have been saying that you have been almost receiving something around \$6.5-\$7 per month so trying to see the receivable because it does not look that you have received any money in this quarter. Second question was on the long-term solution to this receivable. I understand once the bond is issued, you will get lump sum payment for once, but what is the long-term solution, which lenders along with the ZESCO and you are working with, is it some kind of tariff revision which you are working on, would it be most sustainable plan, where the receivable may not pile up so much?

GRK Prasad: The long-term solution has to address the sectoral reforms that the country and the local utility have been grappling with, so we are also obviously affected because there has been substantial delay in those revenue adjustment plans going ahead. So one of the reasons why this mismatch has been occurring is that the local utility has been getting lower revenues for almost 50% of its sale than what cost of service study should dictate. That is one aspect, which the government and the local utility are trying to address, but it takes time. The second aspect is we have to have a proper off taker which has a better balance sheet for whatever has been happening on a monthly





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basis. About \$8.5 million is being released on a billing of about \$19 million every month and this should go up to at least \$16 million with these efforts. The next step would be to see that full bill payment is realized, that can happen after this cost of service study is done and the tariff adjustments study is done so we probably will have to live with these slight high receivables for some time, but I think once this outstanding receivables are paid then the number would become very manageable.

Vinod Malviya: Okay and tranche one of the bond would be of what size? Any number to that?

GRK Prasad: They have given out the details, the bond size they are talking about is \$500 million?

Vinod Malviya: That was entire bond, but what the first tranche would be?

GRK Prasad: First tranche is said to be for \$250 million.

Vinod Malviya: The last question is on the ferro alloy business, can you give an outlook for Q4 FY2019 and FY2020 as a whole for the ferro alloy business especially silico and manganese part?

GRK Prasad: Q4 we can talk of course because we are running through the quarter, Q4 looks probably on the same line as Q3, but coming to FY2020 there has been some volatility in manganese alloy space because of the dependent steel industry is going through some kind of subdued margins so we have to see how it pans out. The clear picture can only emerge by April-May and not immediately because it is all international driven factors, which can only be known once we begin the operations into FY2020.

Vinod Malviya: Okay and in the domestic power business for Q4 how much of the capacity is tied up for you?

GRK Prasad: Whatever surplus capacity we have at Telangana is tied up but, off-take from utility is about 70% of that contract so you can say 70% of the tied-up contract is giving us the stated rate, which is about Rs.5 plus and balance power is being sold under IEX mostly in peak hours so that could actually settle at a slightly lower rate.

Vinod Malviya: Okay! just last question on the deferred tax and provide some details what kind of this deferred tax is this and what has resulted this deferred tax to?

GRK Prasad: Maamba Power Plant enjoys tax holiday, so it is more a matter of timing difference so whatever current tax is there and they assess certain amount, which over the period of let us say, next 10 years translates to a provision of about \$28 million. As far as Ind-AS is concerned that has to be recognized through the year so currently we have recognized close to about \$18 million and so another \$10 million will be recognized in the end of the year. Again this is slightly dynamic because this is all a function of how the profitability and what kind of tax incidence happens so is





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all based on current tax rates, current profitability projections, but it has no effect as it is a non-cash item but nevertheless needs to be taken under Ind-AS rules and of course IFRS also.

Vinod Malviya: Okay that is all from my side. Thank you.

Moderator: Thank you. We have next question from the line of Ravi Purohit from Securities Investment Management. Please go ahead.

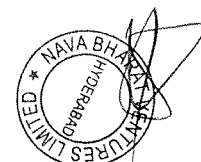
Ravi Purohit: Thanks for taking my question. Some of my questions have already been answered. I just have few more this is regarding some of the things that you mentioned in the press release on monetization of the idle assets, so I think we have mentioned about our 60 MW power plant in Odisha then about the land parcel in Secunderabad and also about the option of dilution of equity in subsidiaries and step - down subsidiaries so if you would just throw a little more light in terms of at what stages are these plants, are they on the drawing board or are they on the advanced stages or anything that the investors can look forward to any of these?

GRK Prasad: Efforts are seriously underway for all the idle assets including 60MW power plant in Odisha, we have had some enquiries by some of the interested parties so what we are happy is that interest seems to be resuming in these kind of power plants especially for captive use as it being small power plant and having no debt and once the fuel linkage issue is addressed and some of these legal issues relating to connectivity are addressed then you are talking about the power plant, which is ready to operate and which can provide power at a competitive cost related to some of the large power plants also on a captive consumption basis though merchant power probably it is not all that suitable so that is where we have been scouting for interested parties. We have had some responses and we will be pursuing them and at this point I cannot divulge more and in terms of the landed properties that we have in Secunderabad that is about 65 acre land and 200 acre land near Kakinada Port, we have commissioned some independent study to see how to exploit these properties. The study is likely to be released shortly. The initial indications are that it could be a mixed use as far as urban land property is concerned while at Dharmavaram so that is 200 acre land plus 20 MW power plant near Kakinada Port is very ideal for process based industry or multi-industrial block so again efforts are in that direction.

Ravi Purohit: What is the status with ferro chrome conversion agreement with Tata Steel when does it come up for renewal?

GRK Prasad: It is there till March 31, 2020. FY2020 full being there and all expectations are that Tata could continue with the chrome lease in which case commission will continue.

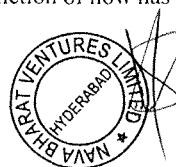
Ravi Purohit: Okay so this 60 MW in Odisha does not have any steel plant in neighborhood or anything I mean has been there forever?





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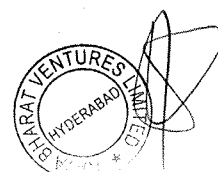
- GRK Prasad:** I agree. Yes there is some interest coming our way, some of the steel plants and some of the bulk consumers so we are examining that.
- Ravi Purohit:** Lastly you mentioned about some small capex that we may have to do on this environmental related capex on SOx so what steps are we taking in and do we have to this Rs.50 Crores that you mentioned we have to incur over these at timeline to it or we are doing it this year?
- GRK Prasad:** As far as capex relatable to environmental measures are concerned, it is about Rs.25 Crores. Balance Rs.25 Crores is ongoing capex for all our units. The environmental capex is relatable to lime material handling related to lime dosing that will get spent over the next one year.
- Ravi Purohit:** In our press release its mentioned that we have net debt of slightly lower than Rs.300 Crores on a standalone basis and this I am presuming we have given as of December end and given the standalone numbers where we are looking at almost Rs.40 Crores to Rs.50 Crores profit after tax run rates so effectively about Rs.200 Crores of annual cash flows and given that we have some visibility of power in the coming financial year, how do you see utilization of this cash because by next year it looks that your balance sheet will have virtually very little debt. In that sense is there any plan the Company is working with utilization of capital gets filled up?
- GRK Prasad:** Well we have listed out some of the discussions in our release beyond that nothing is really planned, but what we could probably conclude is whatever surplus cash that we have would probably be spent on some of the corporate action, which we have been considering for a while so I mean that is more towards the shareholder value.
- Ravi Purohit:** Okay Sir especially either dividends or buyback or combination of both?
- GRK Prasad:** This could be yes.
- Ravi Purohit:** Thanks. I will get back in the queue.
- Moderator:** Thank you Sir. We have next question from the line of Anirban Dutta from Jet Age Securities Private Limited. Please go ahead.
- Anirban Dutta:** Good evening. I have two questions. First one is your MCL, PLF this quarter is bit lower than what you have been doing, but our profits are actually higher at \$22.8 million, can you explain that a bit?
- GRK Prasad:** Well PLF is more a function of how much has been drawn by the utility, but its a rainy season where the off-take tends to be lower though the availability was higher 267 MW is what is net availability, but the off-take was about 200 MW so that way PLF was lower, but availability wise the billing happens obviously profitability is a function of how has been the availability.





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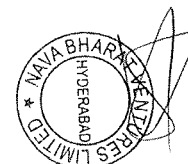
- Anirban Dutta:** What is the situation for the current quarter? I mean this quarter in terms of PLF?
- GRK Prasad:** Actually rainy season is coming to end now, means dropping down, so availability is again a function of the units, one of the units are actually going through annual maintenance now for a couple of weeks so could be slightly lower, but certainly will be about 85% on a quarterly basis.
- Anirban Dutta:** I just had one further question, in the segment results where you have declared mining again profits that number has grown well substantially in the current quarter. I think it is in fact grown more than the revenue compared to Q2, the mining profits are Rs.52 Crores versus Rs.20 Crores so any particular reason for this significant spurt or it is just driven by higher prices?
- GRK Prasad:** This is partly higher prices, because when you move the coal from inventory to the power plant then the small markup exists, but actually when you move the coal from mine directly to the power plant then the better markup results so in this case we had slightly better movement from the mine itself so that way the profit will be increased, I will say at least 60% of that profit looks to be sustainable given the demand for coal and power plant operations.
- Anirban Dutta:** What was the average price this quarter versus last quarter for Mamba Collieries Coal?
- GRK Prasad:** Price moved up by about \$3, roughly is about \$49 to \$52 in dollar terms especially average price realizations for aggregate coal.
- Anirban Dutta:** How has coal cost been in India for our power operations? Cost of coal in India what we used in the power plant?
- GRK Prasad:** Mostly it is driven by auction prices, so we have auction linkages, but the price is roughly about Rs.2700/-.
- Anirban Dutta:** Okay that is fine Sir. Thank you so much.
- Moderator:** Thank you Sir. We have next question from the line of Mohit Kumar from IDFC Securities. Please go ahead.
- Mohit Kumar:** Sir in the press release the mention of US \$217 million to be returned to NBV group entity from FY2021 what does it mean Sir, how does the maths works out?
- GRK Prasad:** That \$ 217 million is the project equity contributed by our Singapore subsidiary in the Maamba Collieries that is Zambian Company either by way of direct equity or shareholder loans. So the process of distribution is expected to commence from FY2021 so either by way of dividends or repayment of the loan plus interest should happen from that date against this \$217 million.





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- Mohit Kumar:** Sir second question because as you paid substantial amount of debt on Maamba, as we will do in FY2020, will the revenue be same and there will be slight decrease in interest cost leading to slightly high profit in FY2020 is my understanding correct?
- GRK Prasad:** Well interest should come down because of considerable repayments. Profit is function of how the revenue pans out.
- Mohit Kumar:** Assuming everything remains the same is our topline anywhere related to interest cost?
- GRK Prasad:** No the topline is tariff function so interest cost has no bearing there.
- Mohit Kumar:** Okay Sir got it. Thank you.
- Moderator:** Thank you Sir. We have the last question from the line of Ravi Purohit from Securities Investment Management. Please go ahead.
- Ravi Purohit:** One follow-up question how much segment wise revenue on mining do we report in our numbers, is this entirely external sales and if yes, then this is basically the high grade coal that we sell in the open market and so there should not be any receivable risk right and those are like typically happening on cash basis, is that understanding correct?
- GRK Prasad:** But mining revenues include the transfers to power plant as well.
- Ravi Purohit:** Okay so let me put it differently how much?
- GRK Prasad:** Let us put it this way, the run rate for external sales is about 25000 tonnes on an average price of what \$51- \$52 is the revenue number for mining and there is no risk of receivable or anything else.
- Ravi Purohit:** Thank you so much.
- Moderator:** Thank you very much Sir. Ladies and gentlemen that was the last question. I now hand the conference over to Mr. Abhineet Anand for SBICAP Securities for closing comments. Sir over to you!
- GRK Prasad:** Abhineet, before we close there was some question by Mr. Vinod on the receivables part. It started with around \$117 million and we received about \$8 Million a month for couple of months. The receivable for December actually came in January so that was not accounted in December so that is roughly about \$60 million against an average billing of about \$90 million so it stood at \$169 million that is where we are.





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- Abhineet Anand:** Thanks Sir. I would like to thank the management for giving us opportunity to host this call and all the participants thanks a lot.
- GRK Prasad:** Thank you very much. If there are any remaining questions, please do come back to us and we will definitely answer them on the widest platform. Thank you.
- Moderator:** Thank you very much Sir. Ladies and gentlemen on behalf of SBICAP Securities that concludes this conference call. Thank you for joining with us. You may now disconnect your lines.

