



First Quarter Results

Conference Call Financial Year 2010

August 7, 2009

Moderator: Good afternoon ladies and gentlemen. Welcome to the Nava Bharat Ventures Conference Call. I am Priyanka, the moderator for this conference. For the duration of the presentation, all participants' lines will be in the listen-only mode. I will be standing by for the question and answer session. I would now like to hand over to Mr. Siddharth from Citigate Dewe Rogerson. Thank you and over to you sir.

Siddharth Rangnekar: Good Afternoon, ladies and gentlemen and thank you for joining us on this conference call. We are joined by Mr. G.R.K. Prasad – Director (Finance & Corporate Affairs). The call will start with him making his opening remarks and will be followed by a Q&A session. I now call upon Mr. G.R.K. Prasad to share his views.

G. R. K. Prasad: Good afternoon, ladies and gentlemen. At the outset, Mr. Trivikrama Prasad, our Managing Director, being indisposed, is not able to join us on this call. The Q1FY10 performance is mostly with you. I would like to just touch upon a few things. The total sales for Q1FY10 were Rs. 3,567.8 million. They were up from Rs. 2,918.6 million in Q1FY09 principally because of better performance in the merchant power scenario for a couple of months in the quarter. The net profit of the quarter grew to Rs. 1,363.8 million corresponding to Rs. 1,269.1 million in Q1FY09.

As you would all agree, Nava Bharat is now a power-focused company and we expect the merchant power business to drive the growth of the business of the company and the company would also stand to benefit because of the higher availability of saleable merchant power. To take an example, in Q1FY10 we sold about 388 million units via the merchant route which constituted about 98% of the total power sales, though this percentage of the merchant power vis-à-vis the total sales of power could vary, but it will be pretty significant going forward. We have taken up plans to increase the merchant power generation capacities from the existing 228 megawatt to close to 600 megawatt by establishing 3 units of power. The new 64 megawatt unit in Orissa which is currently under implementation will achieve commercial operations in the last quarter of FY11 and we are in advanced stage of completing the financial closure for the two 150-megawatt units, in a couple of months from now, by when the ordering phase also would be done for the principal equipments.

The company is enthused by this power-focused business and is also looking at a few of overseas investment initiatives, principally related to power or backward integration of power for coal mining. We have a couple of projects for which the consortia lead by our Group have been short-listed as preferred bidders. One project is in Zambia and the other one is in Indonesia. These two projects are in varying degrees of due diligence and feasibility studies and we expect to have some kind of definitive agreements some time in the next quarter.

Coming back to Ferro Alloys, the scenario seems to be improving, though not at the same levels as we saw early last year. We would produce some amount of Ferro Alloys, given that there is a lean season for power in these three to four months. We would also utilize the surplus power which suffers from transmission line limitation for evacuation of power for production of Ferro Alloys. These two considerations will drive the production of Ferro Alloys in this year. As earlier mentioned, the production of Ferro Alloys could possibly be aggregated to about 30,000 tonnes this year.

Sugar is another positive story, though, in the overall scheme of things, it is still a minor contribution for us. We expect the prices of sugar to remain pretty firm given the perceived shortage of sugar, though, of course, the drought conditions prevailing in Andhra Pradesh could impact the cane availability and recovery for the ensuring season.

Well, that is the essence of the performance for the company and I would request the participants to come up with their questions.

Moderator: Thank you very much sir. We will now begin the Q&A interactive session. Participants who wish to ask questions, please press *1 on your telephone keypad. On pressing *1, participants will get a chance to present their questions on a first-in-line basis. Participants are requested to use only handsets while asking a question. Kindly note, participants are requested to kindly ask only up to two questions in the initial round and then come back for the follow up question. To ask a question, please press * 1 now.

First in line, we have Mr. Amol Kotak from ASK Investment Managers. Over to you sir.

Amol Kotak: Yes, I wanted to know the inventory position of your Ferro Alloys division as of 30th June 2009 in terms of volume.

G. R. K. Prasad: We have substantially reduced the inventory position compared to what was the situation on 31st March 2009. As of 30th June, we have manganese alloys of about 3,900 tonnes and chrome alloys of 2,300 tonnes.

Amol Kotak: Significantly bulk of the inventory has been liquidated.

G. R. K. Prasad: Yes, that's right.

Amol Kotak: And at what percentage PLF your power plants operated in Q1FY10?

G. R. K. Prasad: Average PLF between both the units hovered around 87%. The A.P. power plant about 90%, while that in Orissa was a little lower at about 85%.

Amol Kotak: Just to understand given that your production was 42 crore units. I was just trying to understand the calculation; the PLF would have been much higher.

G. R. K. Prasad: I gave the average PLF for both the units put together.

Amol Kotak: What should be the average we should take for the full year now?

G. R. K. Prasad: I suggest you take 90%.

Amol Kotak: Okay. And what are the current realizations you are enjoying for Ferro Alloys?

G. R. K. Prasad: Ferro Alloys have moved up as far as realizations go. Ferro Chrome is currently fetching around Rs. 53,000 to 54,000 per tonne. While manganese alloys are fetching around Rs. 43,000 to 44,000 per tonne.

Amol Kotak: Both silico and ferro?

G. R. K. Prasad: Yes, it is principally silico manganese, but both are hovering around the same rate.

Amol Kotak: Okay. And corresponding to this, what are the ore prices?

G. R. K. Prasad: We have not procured any ore.

Amol Kotak: Okay. But has there been any increase?

G. R. K. Prasad: The ore prices have not moved up from March 2009, but there is some talk that ore prices could go up next quarter.

Amol Kotak: So, currently they are in the region of about Rs. 6,000 to 7,000 per tonne?

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

Amol Kotak: Fine. If I have more questions, I will come back. Thank you.

Moderator: Thank you very much sir. Next in line, we have Ms. Sweta Lakra from Enam Financial Consultants Pvt. Over to you ma'am.

Sweta Lakra: Can you mention something about becoming a preferred bidder in something; I missed that, could you please repeat that.

G. R. K. Prasad: Well, it is a project for takeover of an existing mining company with 65% stake and establishing a 300-megawatt power plant. There was a global tender and we bid against that tender and were chosen as the preferred bidder for this project. We have signed memorandum of understanding which enables us to do the detailed diligence and feasibility studies, etc., and hopefully by December 2009 we should complete the transaction and get into definitive agreements.

Sweta Lakra: Okay. And could you also tell us what was your average merchant tariff for the quarter?

G. R. K. Prasad: For the quarter, the average tariff was about Rs. 6.50/unit, I would say for external sales. There were sales to GRIDCO also. Those sales are now currently fetching Rs. 3 per unit.

Sweta Lakra: Okay. Thank you.

Moderator: Thank you very much ma'am. Next in line, we have Mr. Faisal Memon from Infinity.com Financial Securities Ltd. Over to you sir.

Faisal Memon: Can you give me the average power cost for the quarter?

G. R. K. Prasad: Well, the coal-based power units, the old ones are hovering at around Rs. 2.30/unit.

Faisal Memon: That is including the interest depreciation?

G. R. K. Prasad: Yes. And that which is using the imported coal is about Rs. 3.50/unit.

Faisal Memon: And can you give me an update on the coal mines in Indonesia?

G. R. K. Prasad: The coal mining plan is in place. The mine has engaged contractors to remove the over burden partly but the actual extraction of coal is pending the forestry clearance. The clearance is expected in about three months' time. The actual extraction of coal could commence after three months.

Faisal Memon: Okay. So would you like to put a number to the tonnage you expect to do from those coal mines?

G. R. K. Prasad: I would like to give the tonnage for three months this year at about 50,000 tonnes a month. Next year, for a part of the year, let's say up to six months, this will be the case. From there, we would like to increase it to 1 lakh tonnes a month.

Faisal Memon: Good sir, thank you so much.

Moderator: Thank you very much sir. Next in line, we have Mr. S Bharath from Sundaram BNP Paribas.

S Bharath: A question on the coal procurement. Are we seeing any up-tick in the domestic e-auction prices that we procure?

G. R. K. Prasad: E-auction is very small fraction of our procurement, but we have not seen any increase in that particular space.

S Bharath: So, if you could just break down the overall coal procurement, then how would it be split between imported and domestic coal?

G. R. K. Prasad: For the existing 228 MW capacity, excepting the 20 MW unit, the other units are using indigenous coal. Of the indigenous coal, we have linkages to the extent of about 90%. The balance is being met by washery rejects at the moment.

S Bharath: Okay. Where is the imported coal then used?

G. R. K. Prasad: We are using the imported coal at the 20 MW unit which is at Dharmavaram.

S Bharath: No, in terms of the Indonesian coal project, once that ramps up and if you were to use it at a plant near Kakinada, how would the costing appear, on a landed basis how would it be?

G. R. K. Prasad: The Indonesia coal would be transferred at a market price because the coal mining rights are held by us and the coal mine owner to the extent of 75:25. There will be a market price linked to Indonesian index price, though for Nava Bharat off-take, there is a cap on maximum price. So, that mean price actually translates to what we are paying currently for the imported coal from a third party.

S Bharath: Okay, fine. Rest would be on merchant?

G. R. K. Prasad: Yes.

S Bharath: Okay, thanks a lot.

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

Priyadarshan Jha: Yes, congratulations sir for excellent set of numbers.

G. R. K. Prasad: Thank you.

Priyadarshan Jha: Sir, you told me that realization rate of power was Rs. 6.50/unit, but elections are over now, so what do you think the price now will be?

G. R. K. Prasad: This quarter, the price is lower, let's say commencing from July to September 2009 prices are lower. And then October 2009 onwards again there is an increase in merchant power rates. We have contracted up to December 2009 for certain power at Rs. 5.75/unit. And from January 2010 we have to get into contracts which are expected to be better if not at least at Rs. 5.75/unit.

Priyadarshan Jha: Okay and any new development on infrastructure projects because though you have some plans, but you have not made any substantial investment here?

G. R. K. Prasad: Which new project are you talking about?

Priyadarshan Jha: SEZ projects.

G. R. K. Prasad: No, for the SEZ project, no investment is called for from the company or the SPV, which is controlled by the company. The SPV paid for the land, acquired from the Government and entered into a Joint Development Agreement. Now, this agreement postulates the Co-developer to put in its resources including finance to set up the project. So, there is no call of funds on the SPV or the sponsors for the project.

Priyadarshan Jha: Okay. This would take some time?

G. R. K. Prasad: It will take time given that IT and ITES have been subdued. I would expect the project to get delayed at least by another two years.

Priyadarshan Jha: Okay and we have seen shortage of sugarcane for the current sugar season, so have you made any contractual agreement from farmers for procurement of sugarcane.

G. R. K. Prasad: No, we have a command area. So, whatever sugar cane produced in the command area will come to our factory. The problem is lack of cultivation itself. There is reduced cultivation of sugar cane and now, on top of it, we have an issue with reference to monsoon. It could impact the cane availability in the coming season. Consequently, the sugar prices would remain pretty firm.

Priyadarshan Jha: Okay thank you.

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

Sunil Jain: Sir, can you tell me the total power consumed per tonne of Ferro Alloy manufacturing?

G. R. K. Prasad: It varies. Normative consumption is about 4,000 units per tonne of silico-manganese and ferrochrome and about 3,000 units per tonne of ferromanganese.

Sunil Jain: Okay, and with price increasing to Rs. 53,000 per tonne for this Ferro Chrome is it becoming viable now or still it is difficult, means as compared to the power you sell in the merchant power?

G. R. K. Prasad: It is not comparable to merchant power as yet, but in Orissa we have a line limitation with which we are not able to generate power beyond a certain level. So, our idea is to use that power which otherwise is stranded to produce ferrochrome because it is yielding some profits. So there will be fixed cost recovery from this production. It will be one furnace production for three-four months.

Sunil Jain: Okay. In the next quarter, this Ferro Alloy division will continue to make loss or we can expect some profit in that?

G. R. K. Prasad: Whatever loss, happened in the first quarter relates to fixed costs which actually got absorbed in the context of higher power sales. We expect that loss to be reduced .

Sunil Jain: In this second quarter onwards?

G. R. K. Prasad: Yes.

Sunil Jain: If the prices would remain on a similar level?

G. R. K. Prasad: Yes.

Sunil Jain: Okay. And sir, on the second...this sugar production, how much you are targeting for this next season, any expectation?

G. R. K. Prasad: We have earlier targeted about 3.2 lakh tonnes of cane crushing with an average recovery of 10.2% That looks a little tough at this stage because there will be some reduction in cane availability. Maybe we might do about 3 lakh tonnes of crushing.

Sunil Jain: Okay. And recovery is also expected...

G. R. K. Prasad: Recovery at 10%.

Sunil Jain: These cane prices; how you pay in your area, like this is SMP or...

G. R. K. Prasad: This is SMP. We have to pay much more than SMP. The current price is about Rs.1,500 per tonne which is above the SMP as well.

Sunil Jain: Okay. Thank you very much.

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

Subhabrata Mitra: Yes I had a question with tax rate. See, this quarter you have again got some MAT credit entitlement. So is all the credit entitlement complete or is there any more credit entitlement expected for some MAT?

G. R. K. Prasad: we still have credit of about Rs. 20 crore or. We could use in the subsequent quarters.

Subhabrata Mitra: Okay. And sir, what is the status of your 64 megawatt new power plant that is coming up?

G. R. K. Prasad: It is under construction now. We have placed the orders for all principal equipments, implementation is going on as per schedule at the moment. We have targeted to go on stream in December 2010, so some generation is expected in the last quarter of FY11.

Subhabrata Mitra: Okay thank you.

Moderator: Thank you very much sir. Next in line, we have Mr. Amol Kotak from ASK Investments. Over to you sir.

Amol Kotak: Have you changed the plan of Ferro Alloys this year, I mean, are we going to produce ferrochrome?

G. R. K. Prasad: It is an opportunistic move I would say because we have a power line limitation problem. We would like to use that to produce ferrochrome from out of the inventory available and, of course, the present realizations give us a little margin in respect of that production.

Amol Kotak: So, what sort of production plan you have? Any quantity details?

G. R. K. Prasad: It is not a firm production plan. Basically what we are trying to do to use 10 megawatts of power which is otherwise stranded. What we want to do is to have some value addition for that power as well while there is no big requirement of inventory of raw materials for this production.

Amol Kotak: Okay, but our earlier plan was to produce 25,000 tonnes of manganese alloy, so that remains and then whatever ferrochrome will be produced?

G. R. K. Prasad: It is more like converting the existing ore. So, we may have 25,000 tonnes of manganese, maybe about 10,000 tonnes of ferrochrome, it could be here and there, we still hold that production volume of about 35,000 tonnes at the moment.

Amol Kotak: Okay. What sort of chrome ore inventory we have?

G. R. K. Prasad: It would last for about three months.

Amol Kotak: Okay. And this evacuation limitation which you have, when do you see this getting resolved?

G. R. K. Prasad: I think it would be timed about the same time, probably end of October 2009.

Amol Kotak: Okay. And on this restructuring of sugar operation, is there some plan because we have transferred that business to the subsidiary?

G. R. K. Prasad: No, we haven't.

Amol Kotak: But your annual report suggests that.

G. R. K. Prasad: The annual report talks about the subsidiary being there which would be used for any restructuring in the future.

Amol Kotak: Okay. So, any plans on that?

G. R. K. Prasad: Nothing in the immediate future.

Amol Kotak: Okay, and in your new project, if you could explain the cost structure in terms of what would be the cost, would it be similar to the current operations or how it will be?

G. R. K. Prasad: Which new project?

Amol Kotak: In new projects which you are planning to double your capacity?

G. R. K. Prasad: See there are two components of fuel which we will be using. For 64 megawatt needed, we propose to use washery rejects and local coal, so the cost structure would be more or less similar.

Amol Kotak: So, that would be more like Rs. 1.8/unit excluding interest depreciation, cost per unit.

G. R. K. Prasad: Including depreciation could be about Rs. 2.30/unit. And for the 150 MW unit, coming up at Paloncha would also have similar cost structure as is the case with the existing 114 MW power plant. But for the 150 MW unit, coming up in Dharmavaram, the cost structure may not be as high as Rs. 3.20/unit as is the case with the 20 MW power plant. So, we have a slight reduction there in terms of plant size.

Amol Kotak: Okay. So, it would be slightly lower than this Rs. 3.2/unit you are saying?

G. R. K. Prasad: It would be less than Rs. 3.2/unit. But it would hover between Rs. 2.80/unit to Rs.3.00/unit.

Amol Kotak: So, the first unit of 150 is also based on domestic coal?

G. R. K. Prasad: Yes.

Amol Kotak: Okay. And have you obtained all the regulatory clearances on this front?

G. R. K. Prasad: See there are various clearances... like we have generation license in the form of IEMs. Then, TOR for environmental clearances are obtained for all three units. We have clearances for water. Land is already in place. Power evacuation arrangements are being discussed with local transmission utilities and in Orissa in about three months' time it should be

done. But in AP, we need to have dedicated transmission lines for each of these units, so that process will take time. We have signed indicative power purchase agreements with traders. For the two 150 MW units, presently we are negotiating the terms of financial assistance. Probably by end of October 2009, we should have all the financing in place.

Amol Kotak: Okay, okay. And what sort of capex you have in the next two years related to this and other projects?

G. R. K. Prasad: The total project cost for these 364 megawatts as appraised by IDBI is close to Rs. 1,630 crores including this transmission lines.

Amol Kotak: Okay. How much are you going to spend year wise maybe for FY10-11?

G. R. K. Prasad: For FY10, capex would be about Rs. 200 crore. For FY11 to FY13 the balance is capex is phased.

Amol Kotak: Okay. This 300 megawatt is coming in June 2012?

G. R. K. Prasad: Yes, June and September 2012.

Amol Kotak: So, we have postponed this, earlier we were targeting March 2012?

G. R. K. Prasad: Correct, but if we are placing the orders, let's say by end September, you have 30 months period of implementation.

Amol Kotak: Okay, and on the 1,050 megawatt project, things remain as it is?

G. R. K. Prasad: Yes, nothing further to report.

Amol Kotak: Okay. Fine, thank you Mr. Prasad.

Moderator: Thank you very much sir. Next in line, we have Mr. Sachin Trivedi from UTI Asset Management Company. Over to you sir.

Sachin Trivedi: Good afternoon sir and good set of numbers, better than my expectations at least. Few questions which I had, one with respect to the power capacity that we have, is it entirely captive today or has it been noted that we can sell it, the entire capacity in merchant even if we don't produce anything in the ferro front?

G. R. K. Prasad: We already went over this issue. Out of the 228 megawatt, the captive capacity earmarked this year would be about 25 megawatts and balance power is being sent out. So, roughly we would have merchant sales of about 170 megawatts this year and about 25 megawatt to 30 megawatt of captive consumption. Balance, of course, is for auxiliaries.

Sachin Trivedi: And what is the current realization that we are getting for the merchant units or the average realization that we are getting right as of now, not the June 2009 realization.

G. R. K. Prasad: As of now, it is around Rs. 4.50 to Rs. 4.60 net, but I expect the average this year to hover around Rs. 5.60 to Rs. 5.70.

Sachin Trivedi: Net of fueling charges?

G. R. K. Prasad: Yes, net of everything. This is for the component which we sell outside of the local grid. For the power that is going to GRIDCO which is 20 megawatt on a monthly basis, we are getting Rs. 3 per unit. GRIDCO, in fact, took additional power for two months, June and July 2009 and so, the for entire 70 MW realised Rs. 3 per unit.

Sachin Trivedi: Okay, with respect to the rain situation, you also spoke in your opening remarks, is it likely to affect the availability of water for our power plant and if you can also indicate what is the source of water in Andhra for us?

G. R. K. Prasad: Fortunately, it doesn't affect because it is not rain dependent. It is like an intake well from a river. So, that is not an issue for both the power plants.

Sachin Trivedi: Okay. So, you don't expect water availability to be an issue for us?

G. R. K. Prasad: No, we don't expect.

Sachin Trivedi: One question about the imported coal for us, although it is a small quantity, but what is the landed cost of imported coal for us?

G. R. K. Prasad: You can take it as USD 70 landed to the plant.

Sachin Trivedi: And what will it be on the port roughly?

G. R. K. Prasad: Roughly about USD 5 less on CIF basis. We are very close to the port. So, about USD 65 to the port and add USD 5 to our plant on an average.

Sachin Trivedi: And what is the calorific value of this coal that we use?

G. R. K. Prasad: As fed to the boiler, it translates to 4,800.

Sachin Trivedi: This must be with high moisture content?

G. R. K. Prasad: Yes, that moisture content is what we need to factor when you feed the coal into the boiler.

Sachin Trivedi: Okay. And last question on the mining venture that we are getting into. Just wanted to understand that since it is not the core business for us, why we are trying to get into this business, if you can further elaborate on that.

G. R. K. Prasad: Well, it forms part of the core business with which we are currently focusing on, which is power generation. The coal mining is attempted to ensure fuel availability to start with and second issue is to see that wherever the dependency is there on imported coal, the coal prices or any increase in coal price would not impact the merchant power model of the company. These are the two objectives with which we have gone into coal mining.

Sachin Trivedi: So, are we going to just own the mine or we are also going to be a miner and therefore before a mining company also in that sense to that extent?

G. R. K. Prasad: No, our intention is not to have coal mining as a principal business, if you mean that way. Our immediate task is to ensure fuel available for all power plants. So, that is what we are looking at, at the moment.

Sachin Trivedi: And how much we intend to invest in this business?

G. R. K. Prasad: In this business maximum of USD 50 million.

Sachin Trivedi: Over a period of two years or one year?

G. R. K. Prasad: Could be even three years too.

Sachin Trivedi: Okay, okay sir. Thanks a lot, thank you for this.

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

Sanjeev Panda: Sir, could you please guide us regarding what the sugar prices would be for FY10?

G. R. K. Prasad: I can't give you guidance, but at the moment they are hovering around Rs. 28/Kg.

Sanjeev Panda: And how much we can expect in terms of volume for merchant power.

G. R. K. Prasad: Yes, for merchant power, our envisaged volume is 170 MWs and since a part of this power is going to GRIDCO which translates to about 30 MWs on an average this year. Rate for GRIDCO is at Rs. 3 and balance power would fetch us something like Rs. 5.60 –5.70.

Sanjeev Panda: Okay sir. Thank you sir, that's it from my side.

Moderator: Thank you very much sir. Next in line, we have Mr. Vishal Chandak from Daiwa Securities SMBC India Pvt. Ltd. Over to you sir.

Vishal Chandak: Thank you for taking up my questions. Just had two questions. The first one on your Zambian project, could you please explain the entire project and the capex as well and on the Indonesian project, you had mentioned that you are getting into this project largely to secure your fuel supplies in case there is a movement in the international coal prices so that your merchant model doesn't get affected, but I guess you have also mentioned that this mine would sell coal at market prices.

G. R. K. Prasad: Correct.

Vishal Chandak: So we have to get coal at market prices, then what is the rationale of getting into the mining if at all, if you could you just help me explain that.

G. R. K. Prasad: Okay. On the Zambian project, I would request participants to wait because we would make a detailed announcement once we sign definitive agreements. At the moment, it is in an MOA under which we have to complete the detailed diligence before we make a formal announcement on that.

And in respect of Indonesia coal mine, the ownership is held between us and the coal miner at 75:25 and because the structure is like that, we have decided to adopt the Indonesian index price for buying the coal from the mine, though we have 100% off-take right from the mine. The economic interest will translate to 75% and another reason why we wanted the pricing is at market rate is to have an arm's length transaction so that between the partners there are no issues. Secondly, you would have also heard me saying there is a cap on the market price as well for

import by Nava Bharat. We have thus secured the fuel supply for 20 megawatt power plant in a small way and going forward the new 150 MW unit also will be fed by the coal from this mine. So, at that point of time, we can expect the entire coal to be used by our power generating units, but till then there is a trading window which will take place at our Singapore company level where proportionate benefit would accrue to the Singapore Company in FY11 and FY12.

Vishal Chandak: Sir, just a follow-up question on that, you said that you have a 75% stake in that joint venture.

G. R. K. Prasad: 75% stake in the company which has this 100% off-take arrangement.

Vishal Chandak: So, would it be right to say that 75% of the profits would come back to the company?

G. R. K. Prasad: Yes, you are right.

Vishal Chandak: And sir, lastly you have no plans to set up a power plant there itself right?

G. R. K. Prasad: Not with this mine. We are looking at another project which involves setting up an industrial power plant for one nickel smelter in Indonesia and where we are partnering with a company called Indika Energy. That is also in a pretty early stage, but this coal is not intended for that power generation.

Vishal Chandak: Right. Thank you very much.

Moderator: Thank you very much sir. Next in line, we have Mr. Akhil from PCS Securities Ltd. Over to you sir.

Akhil: Sir, actually I have a couple of questions. One with regard to your new projects which you are planning, the 64 megawatt in Orissa and 150 x 2 power projects. I just wanted to know if these two projects are going to be PPA based or merchant based plants?

G. R. K. Prasad: They are merchant power plants.

Akhil: Okay. The second question is now you said that you supplied power to GRIDCO at the rate of Rs. 3 per unit. Now, is there a cap as to how much GRIDCO would buy from you or is it your decision that you can supply to whoever you want?

G. R. K. Prasad: We have a commercial agreement to supply GRIDCO at Rs. 3 a unit up to 20 megawatt. Beyond the 20 megawatt, there was an administrative order issued by Government of Orissa for June and July 2009 which forced us to sell balance 50 megawatt also to GRIDCO at the same rate.

Akhil: Okay. So, it is not that you can't sell it to whoever you want at your price beyond that 20 megawatt thing?

G. R. K. Prasad: In the normal situations, yes... excepting ...this was an overriding order from Government of Orissa under the act which we abided.

Akhil: Okay. So, but will this be the situation going forward or would that come back to your normal sale, how you do it like 20 megawatts to GRIDCO and the rest you can supply at Rs. 6.5 or the market price to whoever you want, would that be the case going forward?

G. R. K. Prasad: Yes, I expect so because this year you need to factor the late monsoon and acute power situation prevailing in Orissa for a greater part of these two months.

Akhil: Okay. So, basically you supply only 20 megawatt to GRIDCO, that's it?

G. R. K. Prasad: Yes

Akhil: Alright. Thank you so much sir.

Moderator: Thank you very much sir. Next in line, we have Mr. Sachin Kasera from Lucky Securities. Over to you sir.

Sachin Kasera: Regarding these new power plants, you mentioned that they would be basically merchant power plants. So, you don't foresee any risk. Obviously in the next two-three years there is going to be power deficit, but in the long term it would make more sense to get them on the PPA because at some point of time, there could be demand supply mismatch?

G. R. K. Prasad: I agree, but you need to exploit the situation while its presents itself, at least for the next five years.

Sachin Kasera: So, for the next four-five years you don't see any problem in terms of merchant getting much better realization as compared to PPA?

G. R. K. Prasad: Yes.

Sachin Kasera: But do you see the current rates of Rs. 5/unit to Rs. 5.5/unit sustaining or you believe that at least that will come down in the next two-three years?

G. R. K. Prasad: As per our projections, Rs. 5/unit is certainly possible.

Sachin Kasera: Okay. What would be a realistic scenario for FY11 and FY12 according to you on the merchant side?

G. R. K. Prasad: We expect Rs. 5/unit.

Sachin Kasera: Okay. And, what is the progress on the ore mines? Manganese and chrome ore both.

G. R. K. Prasad:, we don't have a plan for Chrome ore, but for manganese ores mine exploration is going on. So, we may have some manganese ore extraction from early next year onwards.

Sachin Kasera: Okay sir. That's all from my side. Thank you.

Moderator: Thank you very much sir. Next in line, we have a follow up question from Mr. Sunil Jain from Nirmal Bang Securities. Over to you sir.

Sunil Jain: Sir, two questions. One is what is the total debt position right now?

G. R. K. Prasad: As of 30th June 2009, the total debt is about Rs. 410 crore. Of that, FCCB is about Rs. 140 crore. Cash balance as on that date was about Rs. 510 crore.

Sunil Jain: Both long term and working capital including?

G. R. K. Prasad: Yes, including working capital.

Sunil Jain: Sir, about this merchant rate you said maybe coming down to Rs. 4.50 to Rs. 4.60 in the lean period right now.

G. R. K. Prasad: Yes.

Sunil Jain: But you said that you had an agreement for Rs. 5.75.

G. R. K. Prasad: From October to December 2009.

Sunil Jain: Okay. And that is for 100% or part of the merchant power available?

G. R. K. Prasad: Other than 20 MW which goes to GRIDCO, the rest of power will get us that rate.

Sunil Jain: But right now you are selling at around Rs. 4.50.

G. R. K. Prasad: Right now, part of the power is going a little over Rs. 5, but I think this quarter the average will be about Rs. 4.70.

Sunil Jain: Okay sir, thank you.

Moderator: Thank you very much sir. Next in line, we have Mr. V.K. Karthi Keyan from Suyash Advisors. Over to you sir.

V.K. Karthi Keyan: Sir, couple of clarifications. One is on this Indonesian index price that you spoke about at which the exchange is capped. Just wanted to know what is the index made up of, would it be spot prices or contract prices?

G. R. K. Prasad: Index price?

V.K. Karthi Keyan: Yes. The Indonesia index price at which the coal will be transferred to the Singapore entity, you said it is capped at that, I am just trying to understand what is this index made up of?

G. R. K. Prasad: It is spot index only.

V.K. Karthi Keyan: Okay. So, when you say it is capped at this level, it can't be sold at a price higher than this.

G. R. K. Prasad: Yes, that's right.

V.K. Karthi Keyan: I got that. Therefore, if effectively means your prices could touch spot prices.

G. R. K. Prasad: It could.

V.K. Karthi Keyan: Just trying to be completely sure on that. The other question is on this Orissa order that you spoke about, administrative order. Under what shall we say regulatory provision have they invoked this thing sir?

G. R. K. Prasad: It is called Section 11 order.

V.K. Karthi Keyan: Oh, Section 11, so this is like an emergency situation?

G. R. K. Prasad: Yes.

V.K. Karthi Keyan: Okay, have they specified as to when they would release this thing under this?

G. R. K. Prasad: They have withdrawn the order from 1st August and open access is on.

V.K. Karthi Keyan: Okay, so your 64 megawatt is under no risk because of Section 11 as on date?

G. R. K. Prasad: Yes.

V.K. Karthi Keyan: Okay, fine. Best of luck!

Moderator: Thank you very much sir. Next in line, we have Mr. Bhavin Chheda from Enam Holdings Pvt Ltd. Over to you sir.

Bhavin Chheda: Yes. You said your Indonesia mine's target was 50,000 tonnes per month from January 2010, so already this is a running mine or how is the structure like?

G. R. K. Prasad: It was running. See, what happened is when we took control of the mine and created this mine plan we figured out that whatever was being done, was unscientific manner. So, we stopped all that mining and asked the miner to comply with certain local requirements as well as this forestry clearance. But the final clearance would come about maybe in a couple of months.

Bhavin Chheda: Okay. So, you have 75% stake and how much you plan to pay for this?

G. R. K. Prasad: At 75% stake, USD 15 million. And we have a right to acquire stake of 25% in jetty company which is attached to this mine.

Bhavin Chheda: Okay. And for that, how much you have to pay?

G. R. K. Prasad: Around USD 2 million.

Bhavin Chheda: And another USD50 million you have to spend over the next two years for capex?

G. R. K. Prasad: This USD 17 million is not spent fully. We paid upfront advance and wanted the owner to comply with rest of the formalities. So, the balance like another 12 million or so would get paid this year. And the balance which is ear marked is for manganese ore mine and additional coal mine.

Bhavin Chheda: Okay. So, your next year target is almost a million tonne from Indonesia?

G. R. K. Prasad: Not a million next year, following year yes. Next year, for about six months it will be 50,000 tonnes only. And then 1 lakh tonne a month.

Bhavin Chheda: Okay. And sir, this Orissa 64 megawatt new plant will be fully on a merchant basis?

G. R. K. Prasad: Yes. We have signed a PPA with traders with a base rate.

Bhavin Chheda: What is that base rate sir?

G. R. K. Prasad: For three years, we expect the base rate to be about Rs. 5. On a long range, it is about Rs. 4.

Bhavin Chheda: Okay. So, traders you have signed PPA for three years. And your first year you are saying base rate is Rs. 5?

G. R. K. Prasad: For first three years.

Bhavin Chheda: Okay. And this is for entire 64 megawatt off-take has been signed with traders?

G. R. K. Prasad: 64 MW assuming a 90% PLF.

Bhavin Chheda: Okay, thanks a lot.

Moderator: Thank you very much sir. At this moment, I would like to hand over the floor back to Mr. G. R. K. Prasad for final remarks. Over to you sir.

G. R. K. Prasad: Ladies and gentlemen, thank you very much for the interactive session and for any further questions or any feedback that you have or any clarification that you require, please get in touch, we will be pleased to provide you the clarifications. Thank you very much.

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

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