



## Q1 FY2011 Investors/Analysts Conference Call Transcript Monday, July 16, 2010

**Siddharth Rangnekar:** Good afternoon everyone and thank you for joining us today on Nava Bharat's Q1 FY2011 conference call. We have on the call today, Mr. P. Trivikrama Prasad – Managing Director and Mr. G.R.K. Prasad – Director (Finance & Corporate Affairs). The call will start with Mr. Vikram Prasad making his opening remarks and we shall then have the Q&A session. I now like to call upon Mr. Vikram Prasad to share his views.

**Vikram Prasad:** Good afternoon to you all. I welcome everyone to the Nava Bharat quarterly results conference call. The Company has delivered a fairly good performance for the quarter under review in light of the given operating conditions in Power and Ferro Alloys segment.

The Power segment is the primary driver for overall revenues and profitability and the Q1 results reflect this. Revenues from this segment stood at Rs. 197 crore for the quarter as compared to Rs. 235 crore in Q1 FY2010. During the quarter there was a decline in merchant power sold and an increase in allocation of captive power. Realisations on the other hand have remained stable. Going forward we expect stable volumes and moderate realisations during the current financial year.

Moving to the Ferro Alloys business. Revenues from this segment stood at Rs. 86 crore in Q1 FY 2011 as compared to Rs. 97 crore in the corresponding period last year. Currently Manganese Alloys contribute the majority of the segment profits. Going ahead we see a moderation in realisations of Ferro Alloys. As always we will continue to operate this segment on a dynamically adjusted margin basis relative to power sale.

Revenues from the Sugar segment stood at Rs. 32 crore from Rs 27 crore in Q1 FY 2010. There has been an improvement in levy realisations when compared to the previous quarter. As you know there was a significant increase in levy prices by almost Rs. 400 per bag.

Net Profit for the quarter stood at Rs. 106 crore as compared to Rs. 136 crore in Q1 FY2010. Here the revenues and profits came mostly from the sale of power, 99% of the power was sold for merchant market. The Ferro Alloys and Sugar division also continue to contribute to overall profitability

I will now highlight a few operational details. During the quarter we did merchant sales of 335 million units as compared to 388 million units last year. This was what I was referring to you during the earlier part. The Company continues to focus on increasing its footprint in the Power sector. I am happy to state that the work on the 64 MW power plant is meeting its internal deadlines and the same is expected to be commissioned by the end of this financial year.

The Company had achieved the financial closure for the 2 X 150 MW power plants last quarter.

Nava Bharat Ventures Limited recently announced that the subsidiary of the company, Nava Bharat Projects Ltd sold about 52% of its existing shareholding that is 26% of the equity to Essar Power Limited. Nava Bharat Power Pvt Ltd is a project Company developing 1050-MW power project in Orissa jointly by Nava Bharat and Malaxmi Group.

Nava Bharat Projects Limited has also entered into an agreement with Essar Power Ltd for sale of its balance shareholding in Nava Bharat Power Pvt Ltd at a later date following fulfillment of certain project milestones. Nava Bharat Projects Ltd upon sale of this 26% of equity in Nava Bharat Power Private Ltd to Essar Power Limited realized about Rs. 84 crore and agreed to sell the balance shares to Essar Power Limited for a consideration of Rs. 85 crore at a later date as above.

.In conclusion I would like to reiterate that the Company has a focused strategy in the Power segment which will be a key growth driver for the Company in the coming years. I am hopeful that our investments in coal will show returns by the end of the year once trading begins in Indonesia and Zambia.

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

**Moderator:** Thank you. The first question is from the line of KC Suri from Span Capital. Please go ahead.

**KC Suri:** What is the debt on the books as on date, cash numbers?

**G. R. K. Prasad:** The debt is Rs. 406 crore as of 30 June 2010.

**KC Suri:** Okay. And cash?

**G. R. K. Prasad:** Cash is about Rs. 596 crore.

**KC Suri:** These are at consolidated level?

**G. R. K. Prasad:** They are on standalone basis.

**KC Suri:** And how much would that be at the consolidated level?

**G. R. K. Prasad:** You need to add about Rs. 60 crore more to that.

**KC Suri:** Okay. And what is it that we are doing at Zambia? I mean Indonesia we have coal assets. What about Zambia?

**G. R. K. Prasad:** Zambia investment is for an acquisition of coal mine that has taken place by our Singapore subsidiary. This coal mine was in existence and was being operated in the public sector and the Government divested 65% of its stake to Nava Bharat Singapore. The plan is to bring the coal mine back into operations while at the same time a 300 MW power plant will get setup over a period of three and half years. And this power is intended to meet primarily the Zambian demand but also can catch-up to the demand of Southern African countries called SADAC region through a mechanism called Southern African Power Pool.

**KC Suri:** Okay. So the 300-MW power plant is separate from the 2x150, which we are setting up right?

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

**Vikram Prasad:** 2x150 MW units are getting setup in Andhra Pradesh in India. That is under another SPV called Nava Bharat Energy India Limited.

**KC Suri:** Okay. And just to get some more clarity on this transaction, this Essar Power Limited, the selling company Nava Bharat Ventures – I mean the Nava Bharat Projects Ltd that's what's sold at 52% right?

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

**KC Suri:** So, it was actually a 100% subsidiary for you.

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

**KC Suri:** Okay, fine. Thank you.

**Moderator:** Thank you. The next question is from the line of Bhavin Chheda from Enam Holdings. Please go ahead.

**Bhavin Chheda:** How much Nava Bharat standalone has invested in Nava Bharat Power Private Limited?

**G. R. K. Prasad:** Nava Bharat Projects Limited, subsidiary under Nava Bharat Ventures invested about Rs. 9 crore in the project Company.

**Bhavin Chheda:** So, Nava Bharat Projects Limited had invested Rs. 9 crore and basically you said that 26% was sold for Rs. 84 crore and balance 24% you may get Rs. 85 crore.

**G. R. K. Prasad:** As on date it is Rs. 24 percent it could go down but balance shareholding whatever is there would fetch us Rs. 85 crore.

**Bhavin Chheda:** So, basically the Rs. 84 crore are realized by Nava Bharat Ventures right?

**G. R. K. Prasad:** Nava Bharat Projects Limited, which is 100% held by Nava Bharat Ventures.

**Bhavin Chheda:** Okay. So you will totally get Rs. 160 crore in your 100% subsidiary where you have invested Rs. 9 crore?

**G. R. K. Prasad:** Rs. 169 crore.

**Bhavin Chheda:** Yes, almost Rs. 169 crore where you have invested Rs. 9 crore.

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

**Bhavin Chheda:** So on balance you will have to pay full tax and then the subsidiary will wind off and how will it come to Nava Bharat Ventures? Or are there any other plans in Nava Bharat Projects Limited?

**G. R. K. Prasad:** Nava Bharat Project Limited is now being developed as a project holding company for power projects. So the one SPV which is implementing the two units of 150 MWs is under Nava Bharat Projects today. So, this becomes a holding company over a period of time.

**Bhavin Chheda:** Okay. So basically, 2 X 150 MW are getting implemented in Nava Bharat Projects Limited?

**G. R. K. Prasad:** Nava Bharat Projects Limited has a separate project company again, called Nava Bharat Energy India Limited.

**Bhavin Chheda:** Okay, but Nava Bharat Projects Ltd is a holding company for that.

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

**Bhavin Chheda:** So it can infuse equity into 2 X 150 MW projects?

**G. R. K. Prasad:** Yes. Part of the proceeds will definitely be used for increasing that equity.

**Bhavin Chheda:** Okay. And will there be a tax impact, I think 30 – 30% or 32?

**Vikram Prasad:** 22% being long term capital gains.

**Bhavin Chheda:** So from Rs.169 crore odd and around 22% of Rs.169 crore you will have to pay and the balance will retain in that company?

**G. R. K. Prasad:** Yes. Well, the Rs. 169 crore is for two sale transactions. We realized Rs. 84 crore as of now, the Rs. 85 crore will come at a later date.

**Bhavin Chheda:** Within what period do you expect, within a year or so or will it take more time?

**G. R. K. Prasad:** We expect it could be done within this year.

**Bhavin Chheda:** And for the Zambia entity, what kind of investments have already been made till date and any guidance whether you will get any coal in FY11 or FY12?

**G. R. K. Prasad:** Well, Zambian entity is to be financed by way of the shareholder loan and equity. We have advanced the shareholder loan to the extent of about USD 26 million. Over and above this USD 26 million, we may have to put in another USD 20 and odd million in this financial year.

**Bhavin Chheda:** Okay, another USD 20 million will be infused?

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

**Bhavin Chheda:** Okay. And what kind of volumes can you expect in this?

**G. R. K. Prasad:** Well, the coal mining operations that we would like to do will be on a state of the art technology of coal processing, the lack of which was the bane of that particular unit so far. So coal processing plant establishment has a lead-time which would determine how much quantity would be actually traded in high-grade coal And in this case, we are putting a rough number of about 200,000 to 250,000 tonnes this year.

**Bhavin Chheda:** Okay. So basically, you were planning to start around 50,000 tonnes per month from September '10 onwards that is on track?

**G. R. K. Prasad:** Well, not 50,000 tonnes probably a little less than that to start with. The overall financial year target for this is about 250,000 tonnes.

**Bhavin Chheda:** Okay. And what kind of volumes would you expect in Indonesia?

**G. R. K. Prasad:** For Indonesia the situation on that last leg of clearance is still pending, so we expect that to be cleared very soon though. So the volumes, as we expected would be half a million ton this year, I think it is still a target which we are holding on to.

**Bhavin Chheda:** Okay what was the merchant power realization in this quarter?

**G. R. K. Prasad:** We sold on an external sale basis about 290 million units which fetched us roughly a gross level of 5.10 per unit. If you have to remove from there the transmission charges and other attendant charges the net is about 4.90 per unit or so. This is for the external sales.

**Bhavin Chheda:** All 335 million is external sales right?

**G. R. K. Prasad:** Not all 335 million units, the 42 million units of that were to GRIDCO at Rs. 3 per unit.

**Bhavin Chheda:** Okay, Thanks a lot.

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

**Sanjeev Panda:** Hello sir, this is Sanjeev here, and along with Tejas. My question of merchant power, how is it swing in as the prices have come down and currently hovering around Rs. 4.8 per unit to Rs. 5 per unit. How do you see the prices reacting currently in the market?

**G. R. K. Prasad:** Well, it is a lean season to start with. But we still expect the average realization for the external merchant sales to hover at about Rs. 4.50 per unit.

**Sanjeev Panda:** Okay. And regarding the Ferro Alloy business part of it, Silico Manganese and Ferro Chrome, what was the realization for the last quarter?

**G. R. K. Prasad:** Last quarter, the Silico Manganese average realization was about Rs.55,000 per tonne. And Ferro Chrome not much sales took place. That was sold around Rs. 63,000 per tonne.

**Sanjeev Panda:** Was the decline volume of Ferro Chrome because the prices weren't weakening or because of some other reasons that strategically you're not gone ahead for the high sales.

**G. R. K. Prasad:** Well, the production of Ferro Chrome as you would recall was necessitated because we were otherwise stranded with our power generating capacity on account of second transmission line. So the production was necessitated to see that the power generation was optimized. And to that extent we were limiting the production of Ferro Chrome.

**Sanjeev Panda:** Okay. So hopefully from the next quarter it will resume again?

**G. R. K. Prasad:** Actually the situation now is that the second transmission line is ready for the operation. So we find the power sale to the extent of the 10 MW also is a better option than producing Ferro Chrome now. So the situation is that for the rest of the year, we might resort to power sales as against producing Ferro Chrome.

**Sanjeev Panda:** Okay, and regarding this 1050 MW plant sale in Orissa- from the Company perspective, when the Company was having a coal allocation already in the block and coal being so critical at this point of time in India, so why the company Nava Bharat is actually thinking of selling it? Was there any strategic reason behind it?

**Vikram Prasad:** See let me answer this question. This project as you are aware it has been there for more than three years. And the way things were moving we found that these are moving very slowly and we found that we could not take any headway with even the coal mine, land, water and things like that. All these had to be taken up and it was taking a very, very long time for any particular issue to move. MCL is one area where we could do better and also add additional 2 X 150 MW and another 2 X 150 MW. These have more prospects than having trying to put a one big project which was getting unduly delayed. That was the reason, being in power you may feel why we got out of this business. We would have loved to do it, but it was not moving in the pace and in the direction, which we wanted it to move.

**Sanjeev Panda:** So was it mainly because of the land acquisition issue was getting stuck because that's what we've heard from the news that the Orissa government.

**Vikram Prasad:** Yes, exactly and also for the Rampia mine. It was also again locked up with a legal problem with the coal, Mahanadi Coalfield, which was claiming that piece of property too. So, with all of these things and government slow pace at which they're working, it was n't promising. As you know, the Rampia coal mine is tied up with 5 other people.

**Sanjeev Panda:** The developments regarding of 150 X 2 MW at Andhra Pradesh and 64 MW in Orissa, all these are in line with the expectation of the schedule of the projects?

**Vikram Prasad:** Yes. There is only one of the 150 MW. I mean there is a slight delay in the environmental clearances, as far as BTG packages and everything, they have all finalized.. But for one of the projects, we are having a slight delay in the environmental issues.As you know people have become very aggressive nowadays and we have to work with them hand in hand. We are likely to get it cleared soon . 64 MW project is very much on schedule and we would hope to see it operating by the end of this year.

**Sanjeev Panda:** Okay, which particular ones you said is of 150 MW out of these?

**G. R. K. Prasad:** One in Dharmavaram, which is closer to the port.

**Sanjeev Panda:** That it from my side. Thank you.

**Moderator:** Thank you. The next question is from the line of Sachin Relekar from Tata Mutual Fund. Please go ahead.

**Sachin Relekar:** The cost of generation has moved up over a year because I find that your EBIT for power, the realization has not taken that much a hit but EBIT per unit has actually come down. So, what is our current cost of generation would be?

**G. R. K. Prasad:** EBIT at the cost of generation, if you reckon, hasn't really undergone much of a change. The Principal drop in EBIT is on account of fall in realization only. Margins dropped really only on account of this. The cost structure hasn't really undergone significant change expecting for a few paise in fuel costs.

**Sachin Relekar:** Okay. How much are we planning to invest in FY11 and FY12 in terms of capex for our three ventures? One is 2 X 150 MW power plants. Then we have Indonesia and Zambia where the coal production is likely to start. So, how much capex would be there in these three places?

**G. R. K. Prasad:** On an equity perspective, we expect about USD 50 million is the total outflow initiatives for the Zambian project. And probably we would invest about Rs. 150 crore on the 2 X150 MW units in India this year and another Rs. 200 crore next year, and Zambia another Rs. 50 million next year. It's about Rs. 200 crore on Zambian project and the Indian projects in the next year.

**Sachin Relekar:** Okay. And how much balance is there on 64-MW power plant?

**G. R. K. Prasad:** 64 MW power plant, we have actually invested our equity. There is no further equity infusion required.

**Sachin Relekar:** So, only some debt needs to be drawn.

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

**Sachin Relekar:** Okay. All right. Thank you.

**Moderator:** Thank you. The next question is from the line of Pankaj Sharma from UBS. Please go ahead.

**Pankaj Sharma:** Regarding this sale of project, do you think that strategically it would mean that the bigger projects are difficult to execute and probably you would focus more on the smaller projects in the near term?

**Vikram Prasad:** No. I don't agree with that. See big projects would come but they are going to take a longer time, gestation period would be much more. If you remember the previous project, we have only 50% of the share in the project. So that was one of the reasons that we were getting hampered in movement of the things. But I think 1000 MW and 1500 MW they'll move but they will take much longer time.

**Pankaj Sharma:** Okay. So you mean to say that joint venture thing might not be working but there's absolutely no issue in terms of executing a larger project?

**Vikram Prasad:** Exactly .

**Pankaj Sharma:** Okay. And in terms of your expectation that you don't see not more than 5% to 10% decline in your merchant power realizations going forward in let's say rest 9 months of FY11, current year.

**Vikram Prasad:** Last year the fall was almost about 18 to 20%. But now we expect it to be more or less the same. Unless something really drastic happens and if there is a real slowdown, but as on date, as things are moving they should be fine.

**Pankaj Sharma:** Who are the large customers you have in terms of selling your power in merchant trades?

**G. R. K. Prasad:** we sell through traders, all the customer are utilities.

**Pankaj Sharma:** Okay. Thanks.

**Moderator:** Thank you. The next question is from the line of Raghavan Vijay from Spark Capital. Please go ahead.

**Raghavan Vijay:** What sorts of rates were contracted for the next 6 months in merchant power?

**G. R. K. Prasad:** The range is from Rs. 4.00 per unit to Rs. 4.50 per unit.

**Raghavan Vijay:** Okay. And basically what sort of timeline you already contracted? Is this for next 3 months or 6 months in terms of modality?

**G. R. K. Prasad:** About next 6 months.

**Raghavan Vijay:** Okay. We are contracted with power trading, right?

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

**Raghavan Vijay:** What sort of commission structures are we paying, sir? What's the incentive structure we are paying them?

**G. R. K. Prasad:** The rate what I told you is the net of that.

**Raghavan Vijay:** Net of that, okay. But, what will be your gross realization?

**G. R. K. Prasad:** That will be about 3% higher.

**Raghavan Vijay:** 3% higher than the Rs. 4.5 per unit, right? 3 to 4%.

**G. R. K. Prasad:** As permitted basis.

**Raghavan Vijay:** My next question is, we ordered for a BTG part that's to 150 MW?

**G. R. K. Prasad:** Yes, we placed order. We actually placed order for one 150 MW. And we have the option to place the second set in about three months' time. As Mr. Vikram took you through, for the unit at Dharmavaram we are waiting for the environmental clearance to place the order. But we are holding on to the price.

**Raghavan Vijay:** Okay. So whom have you placed the order?

**G. R. K. Prasad:** It's an offshoot of Dongfong Power System, which is undertaken to deliver both the turbine as well as the boiler.

**Raghavan Vijay:** Okay. That's it.

**Moderator:** Thank you. The next question is from the line of Paras Mawani from Asit C Mehta. Please go ahead.

**Paras Mawani:** I was wondering what is the kind of EBITDA margins we are running on Ferro Alloys?

**G. R. K. Prasad:** In Ferroalloys, Manganese Alloys the EBITDA margins are around 20% at the moment.

**Paras Mawani:** 20%. So in INR, it comes to how much that will be?

**G. R. K. Prasad:** In absolute terms, it works out to something like Rs. 7,000.

**Paras Mawani:** And we are not doing any Ferro Chrome right now?

**G. R. K. Prasad:** Ferro Chrome, we were doing and now that the clearance for the second line has come about we have stopped production of Ferro Chrome now.

**Paras Mawani:** So the initial target was something about 60,000 tonnes for Ferro Alloys. Are we revising it because we have already done 20,000 tonnes this quarter for production target?

**G. R. K. Prasad:** The target needs to be possibly adjusted with reference to Ferro Chrome because we will not be producing Ferro Chrome anymore. On the Silico Manganese side, possibly we will be doing roughly about 4,000 tonnes per month hereafter.

**Paras Mawani:** There was some kind of revision of rates from GRIDCO, some Rs. 3.30 per unit. And you just mentioned its still Rs. 3.00 per unit. Is it so?

**G. R. K. Prasad:** The problem is GRIDCO is not **settling** that additional benefit. So on a conservative approach we factored only Rs. 3.00 per unit in our books while the additional tariff has been **contested** before OERC

**Vikram Prasad:** OERC has asked them to pay this price, but GRIDCO is holding on to it by paying only Rs. 3. So of course that's coming to about Rs. 5 crore. It's not very significant. It's only about Rs. 5 crore.

**Paras Mawani:** Regarding your FCCB I believe they were aligned with Lehman Brothers before they went burst. So what is the current status on that?

**Vikram Prasad:** Apparently they are still with the liquidator of Lehman.

**Paras Mawani:** Okay because the conversion price is way below the market price. So most of them will be converted?

**Vikram Prasad:** I expect so.

**Paras Mawani:** Okay. That's all from me, thanks.

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

**Sachin Kasera:** My question was regarding this subsidiary of your Nava Bharat Project. It is now going to become the holding company for the all the power projects. So what is the type of equity infusion that we have done in Nava Bharat Projects?

**Vikram Prasad:** Nava Bharat project currently has one operating company, which is Nava Bharat Energy India Limited, which is implementing the two units of 150 MWs. So at this stage, the equity infusion relates to those two units of 150 MWs. And in terms of the size this year, we will be infusing about Rs. 150 crore into that Company.

**Sachin Kasera:** In Nava Bharat Projects?

**G. R. K. Prasad:** Yes, and in turn it will go into Nava Bharat Energy India Limited.

**Sachin Kasera:** And how much has already been invested till date?

**Vikram Prasad:** Whatever has been invested is mostly related to land. That is very small, maybe about Rs. 10 crore.

**Sachin Kasera:** No in terms of equity contribution of Nava Bharat Ventures to Nava Bharat projects. What has been the investment till date?

**Vikram Prasad:** It's about Rs. 25 crore.

**Sachin Kasera:** Rs. 25 crore and Rs. 150 crore additional that will be infusing in.

**Vikram Prasad:** Correct.

**Sachin Kasera:** Okay. And this is now going to be the umbrella vehicle for all the power projects that you will be undertaking?

**Vikram Prasad:** That's right.

**Sachin Kasera:** Are we looking at any other projects other than this current 2 X 150 Nava Bharat project because you also get more cash now from this sale of stake to Essar

**Vikram Prasad:** Well, we have been looking at some leads and some of the projects are being inside as you see.

**Sachin Kasera:** Okay. Thank you very much.

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

**Vineet Maloo:** Last quarter you indicated that you will be producing some Ferro Chrome to the extent of some stranded power that you have. So have you been able to resolve that issue?

**G. R. K. Prasad:** Yes, that issue is resolved. So we would be stopping the Ferro Chrome production from let's say in next one week or so and then commence the power trading for the entire power that is available in Orissa.

**Vineet Maloo:** Okay, that will be about 10 MWs, right?

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

**Vineet Maloo:** Okay. And secondly this quarter again your Ferro Alloys production has increased and compared to you know Q4FY10, but margins have gone down. So what is the thought because we've understood that you optimize between Power and Ferro Alloy production. And you sort of lean towards wherever margins are higher. So what exactly is happening in that market and why are we increasing production despite lower margin?

**G. R. K. Prasad:** Well, when we produced Silico Manganese when the margins are probably around the same level as our sale volume fitting and the production of Ferro Chrome as you have yourself noticed was on account of it's the idle power. Going forward, our idea is to watch carefully on this margin trends for manganese and chrome. And anyway we have decided that we would be not be producing any more chrome. And manganese also a watchful approach will be made and the production is going to be monitored accordingly with reference to what is the better situation between the captive consumption or power sale.

**Vineet Maloo:** Do we have any contractual obligation to supply certain amount of Ferro Alloys to anyone? For the next 3 – 6 months?

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

**Vineet Maloo:** No, so if margins don't permit us, you would rather shut it down and produce power only, right?

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

**Vineet Maloo:** Okay, great. Thank you very much.

**Moderator:** Thank you. The next question is from the line of Punit Chokhani from Enam Securities Direct Pvt. Ltd. Please go ahead.

**Punit Chokhani:** If you can just throw some light on what the other expenditure comprises of for the quarter?

**G. R. K. Prasad:** The other expenditure comprised of three elements. One is with reference to a compensation, which was subjected upon the Company for diverting the power from Delhi to A.P. grid which factored in the top line, appearing as a part of other expenditure.

**Punit Chokhani:** Okay. How much would that be, Mr. Prasad?

**G. R. K. Prasad:** About Rs. 10 crore. Then we have a charge relatable to excise duty. Last year, if you recall, we had excise duty remission on account of whatever closing stock that we had.. So that is about another Rs. 10 crore. And the third one is smaller one, which relates to diminution

provision, which we made last year and got recovered q-o-q basis again and doesn't appear this quarter.

**Punit Chokhani:** Okay. And how much would that be?

**G. R. K. Prasad:** This quarter, Rs. 3 crore. So all put together it will be difference. So you can safely assume that the compensation and the other charges are not recurring.

**Punit Chokhani:** Okay. I missed the debt number you mentioned earlier on.

**G. R. K. Prasad:** That's Rs. 406 crore as of June 30, 2010. It includes the Rs. 140 crore of FCCBs .

**Punit Chokhani:** All right. Thank you.

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

**Subhadip Mitra:** I have one question with regard to the Ferro Alloy production. We have seen slightly better profitability and better production in this particular quarter vis-à-vis last year. Is that because we had higher stocks that we've sold last year were at a higher cost than this year, probably that's why margins are better?

**G. R. K. Prasad:** That's one reason. Yes.

**Subhadip Mitra:** Okay. So as of now we are doing an EBITDA of about Rs. 7,000 per tonne. So at Rs. 7,000 per tonne, are we making equivalent profitability vis-à-vis power given the lower realization than power?

**G. R. K. Prasad:** Well, Rs. 7,000 per tonne is margin. Because of the transfer price also, we have certain realization under power segment on account of captive use. Between the two it probably equals to what is being realised under the power.

**Subhadip Mitra:** Oh I see. So adding back the realization of the captive power, we would more or less be making the same amount of profitability.

**G. R. K. Prasad:** That's right. Because we need to dispose that power which otherwise could be sold outside.

**Subhadip Mitra:** Absolutely, understood. Secondly with regard to the MAT credit to that we have still in our book. How much would that be?

**G. R. K. Prasad:** Well, if you see this quarter also we have MAT credit entitlement. In fact what happened is that we paid advance tax that actually got added to the existing credit available. So as of 30 June 2010, the MAT credit entitlement was about Rs. 103 crore and this would mean the effective tax rate would be fairly low this year as well.

**Subhadip Mitra:** Right. So would that mean post FY11 FY12 onwards, we can look at the tax rates going higher, since you would have utilized the MAT credit?

**G. R. K. Prasad:** I'm not sure. in FY11 it will be the case, but I think for the FY12 or FY13 probably.

**Subhadip Mitra:** Exactly. Okay. Possibly FY12 and FY13 we can look at.

**G. R. K. Prasad:** I would say, maybe FY13.

**Subhadip Mitra:** Okay. With regard to the progress on the Zambian project, I think we were expecting the coal production to start shortly. Is there any timeline for that?

**G. R. K. Prasad:** You must understand this. The Zambian mine has two distinct seams. One seam is of a very high grade coal and the other one is thermal grade coal. The thermal grade coal happens to be on the upper crust of the coal mine while the high-grade coal is in the lower crust. We have to regulate the extraction in such a way that the upper grade coal, which is intended for power generation is not left unused and then subjected to spontaneous combustion. So the extraction of the high-grade coal though in line with market demand would be cautiously done, so that the upper crusts of coal, which are equally valuable are preserved for the power plant.

**Subhadip Mitra:** So the target of 200,000 to 250,000 tonnes for this year that we have, that would be for both the high-cost coal or only high-grade coal?

**G. R. K. Prasad:** Only high-grade coal. Low-grade coal is not intended for trading.

**Subhadip Mitra:** Absolutely. I understand that because that would have to be left aside to be used for the power plant later.

**G. R. K. Prasad:** That's right. 250,000 tonnes will get ramped up to probably about 600,000 tonnes to next year and 1 million tonnes following year.

**Subhadip Mitra:** And 1 million tons in the next year, that's FY13.

**Vikram Prasad:** That's right. This year we are trying to put up a Coal Processing Plant, and as soon as that gets erected, We can plan e on the the production that we are like looking for. Right now we are in the process of settling some of the accounts of creditors and old employeesand that's the situation there right now.

**Subhadip Mitra:** Okay. So my other question was with regard to the power project that we planned to set up in Zambia. We would be looking at getting into financial closure for that project also by end of this year or is that something that's going to take a little more time?

**G. R. K. Prasad:** The target is to achieve the financial closure in the last quarter of this financial year.

**Subhadip Mitra:** I see. So we would expect that power plant over there also to come up there over the three to four years?

**G. R. K. Prasad:** In there to four years, yes.

**Subhadip Mitra:** Okay.

**Vikram Prasad:** That's the most essential part there. I mean that overburden is going to become the raw material for the power plant. See, this model is such that that overburden which is deemed a waste material is coming into power generation. And then you're extracting the good coal, which you're going to market. That makes it attractive.

**Subhadip Mitra:** But the cost of extraction for the good quality coal is almost nil?

**G. R. K. Prasad:** It becomes very competitive once the power plant is up and running.

**Subhadip Mitra:** Lastly, with regard to the amount of power that we're selling to GRIDCO at a constant rate, I mean, what is the quantum of power that you'd be selling to GRIDCO, annually?

**Vikram Prasad:** Roughly about 140 million units

**Subhadip Mitra:** Okay. And this would continue current year at Rs. 3 per unit?

**G. R. K. Prasad:** I would say so. Probably, once the new 64 MW comes in, we are yet to see but **GRIDCO might ask for share of that power as well.**

**Subhadip Mitra:** Okay. And then what quantity?

**G. R. K. Prasad:** This is to allow us to run the entire power segment on merchant sale basis.

**Subhadip Mitra:** I think so. Assuming that there is some amount of power that is to be sold to GRIDCO even from the 64 MW, what percentage of capacity would we be looking at?

**G. R. K. Prasad:** It's not exactly percentage, probably another 10 MW. So overall, 30 MW might be earmarked for GRIDCO.

**Subhadip Mitra:** I understand. Okay with regard to the realization that we are currently seeing in Silicon Manganese at that price of about 55,000 per tonne. We're talking about 7,000 per tonne. Would we be looking at this continuing the whole of the year or can there be some further improvement in the margins as well?

**Vikram Prasad:** Well, that's a million dollar question. We would not like to take a very long-term position on that. What we are very clear is, if there is a perception of a margin fall, then we are immediately switching over to power sale. That's for sure.

**Subhadip Mitra:** That's all from my side.

**Moderator:** Thank you. The next question is from the line of Jay Kakkad from Alchemy Shares. Please go ahead.

**Jay Kakkad:** When we sign an agreement in Zambia, the Condition precedent for the agreement was that we'll sign a PPA with ZESCO. Is the PPA already signed?

**G. R. K. Prasad:** One of the Conditions was having a bankable PPA, not necessarily with ZESCO. But ZESCO is a party being approached because that is the Zambian utility. So the key operative word is bankability. So it could happen that we may have two customers, one ZESCO and probably another bulk customer.

**Jay Kakkad:** Okay. A bulk buyer? Okay. The current coal handling plant at Mamba, it is not operational, is that right?

**G. R. K. Prasad:** It was operating but the problem was that the recovery was pretty low. So once the recovery was low, then your cost of extraction goes up. So we have two options. One, to refurbish the existing CPP and run for a while, or go for a new CPP altogether which has the timeline of about 12 months. So we might choose a solution whereby the production happens, with whatever the existing CPP can deliver or the small CPP can be possibly positioned while the new CPP gets established.

**Jay Kakkad:** There was a media report saying you're establishing two CPPs, a small CPP and a large CPP of a different tonnage.

**G. R. K. Prasad:** The idea is that the small CPP can address the limited production that we are initiating right away while the large CPP can complement the processing later. So both the CPPs will be operated once the large CPP also becomes operational.

**Jai Kakkad:** Okay. One of the Zambian agencies had mentioned on the website that the local demand for the coal is somewhere close to 2,40,000 and export potential is somewhere close to 1,80,000. From where else can the demand come for the coal, we're planning one million tonne?

**G. R. K. Prasad:** Well, the demand essentially emanates from in and around Zambia. Zambian demand probably could be limited and is met through imports. Possibly once this Zambian mine becomes operational, we expect to sell 40% of the extraction in Zambia alone. That is about 400,000 MT and for the balance there are good demands emanating from surrounding countries as well.

**Jai Kakkad:** Okay. So, there were some reports 6 months back that Zambian companies like Lafarge, are not buying from Zambia, they're taking from Zimbabwe.

**G. R. K. Prasad:** The situation was that they were actually buying from this Company, which we took over and because of this old CPP, there were several quality issues, which weren't being addressed. So, Lafarge had started import. In fact, Lafarge is one of the potential customers. We have already started dialogue with them.

**Vikram Prasad:** It is very convenient for them to buy from us.

**Jai Kakkad:** Okay. In Indonesia, there is some issue with forest clearance. So, what is the execution? Why is it taking so much of time?

**Vikram Prasad:** Well, this is not confined to us alone. This final clearance from the forestry has been pending for quite a few mines including some of the large names that are being named, in fact for India also. While this clearance is pending, the coal mine has already done the preparation and already coal stands exposed. So once the forestry clearance is obtained, coal extraction and sale can come in straight away.

**Jai Kakkad:** Okay. So is that Jetty that we are also taken stake in, is it ready?

**G. R. K. Prasad:** It is getting ready, but we have an alternative Jetty, which is already functional.

**Jai Kakkad:** Okay. Thank you so much.

**Moderator:** Thank you. The next question is from the line of Tejas Jani from Karvy Stock Broking. Please go ahead.

**Tejas Jani:** Yes, just wanted to cross check with the Ferro Chrome production this quarter. It stands around 6,000 tonne whereas sales volume was actually 2,500 tonne. That time I was referring to the sales volume, which has come down. Could you tell me or like where this plan has come up?

**G. R. K. Prasad:** Well, Ferro Chrome sales are dependent on how the stainless steel industry functions. Currently it is going through a lean phase. So we have to carry this inventory for a while. But indications point that the Ferro Chrome will probably will see higher realization down the line. Once that happens, the inventory liquidation also will take place.

**Tejas Jani:** Okay, That's it from my side. Thank you.

**Moderator:** Thank you. The next question is from the line of Sweta Lakra from Enam Securities. Please go ahead.

**Sweta Lakra:** What is the cost of generation for power?

**G. R. K. Prasad:** Well, the cost of the power generation is roughly about Rs. 2.20 per unit on an average between the Orissa and AP Power Plant. 20 MW power plant is about Rs. 3.20 per unit.

**Sweta Lakra:** Okay. And what's the cost of landed coal to you?

**G. R. K. Prasad:** We use a blend of linkage coals, washery rejects and coal through e-auction also. The blend cost translates to about Rs. 1,300 per tonne.

**Sweta Lakra:** What is cost of imported coal for you?

**G. R. K. Prasad:** Imported coal delivered to us is about Rs. 3,300 per tonne.

**Sweta Lakra:** Okay. Landed cost to you?

**G. R. K. Prasad:** Landed cost to us.

**Sweta Lakra:** Okay. And what's the calorific value for this one?

**G. R. K. Prasad:** About 4,500 kilocalories as received basis.

**Sweta Lakra:** Okay. What are the economics of the power sector in Zambia?

**G. R. K. Prasad:** Well, Zambian power sector is like what we used to have in India, probably two or two and a half decades ago with sector opening up and a lot of deficit coming up in various pockets of the country. Zambia is integrated with Southern African Power pool. So it is a conglomeration of countries including South Africa where the power deficit is acute. So we need to reckon the demand not necessarily from Zambia alone, but with reference to all of these countries because the evacuation system and grid network are already in place to feed the power into various countries, and also in Zambia.

**Sweta Lakra:** Okay. And like in India we have pass through fixed ROE. Do we have a similar ROE there as well?

**G. R. K. Prasad:** Well, the ROE that we are targeting is definitely better than what we could possibly obtain on a long-term basis in India.

**Sweta Lakra:** Is there any fixed pass-through of cost?

**G. R. K. Prasad:** Well, there is a pass-through in the case of exchange fluctuation. While fuel pass-through obviously is not allowed because it is a captive coal mine excepting to the extent of inflationary adjustments.

**Sweta Lakra:** Okay. And this comparison of capex per MW in India and there, how does it compare? Is it much higher than what it is in India?

**G. R. K. Prasad:** It is because you need to reckon the Zambian situation of higher civil cost and also higher transport cost.. We expect the cost differential to be hovering around 30% than what is obtained in India.

**Sweta Lakra:** Okay. And then resultant tariff?

**G. R. K. Prasad:** Yes. Resultant tariff does, as I have told you, take in to account these higher costs. **Sweta Lakra:** Okay but those are sustainable rates over there?

**G. R. K. Prasad:** Yes. In fact Zambia is one country, which is firmly committed towards moving away from regulated rates to cost reflective tariffs. They have been increasing the tariffs for the last two years and this is a situation emanating from most of the countries, which are linked as

such including South Africa. So the tariff as such looks pretty sustainable with reference to this kind of policy that is being pursued by the Government and surrounding Governments as well.

**Sweta Lakra:** Okay and just in terms of the rupee equivalent, how much would be a tariff in Zambia in terms of rupees?

**Vikram Prasad:** Well, it's too early to put in a tariff number, but take it as around 8.5 to 9 US cents.

**Sweta Lakra:** Okay, fine. Thank you.

**Moderator:** Thank you. The next question is from the line of Mitul Mehta from Lucky Securities. Please go ahead.

**Mitul Mehta:** Mr. Prasad, this is Mitul Mehta. Just wanted to get your sense from the Ferro Chrome pricing trend going forward. Earlier you did mention that currently we are going through a lean phase and we could sense prices going higher. Could you just explain why do you think so?

**G. R. K. Prasad:** The Ferro Chrome as you know is dictated by South Africa. And South Africa is going through a pretty bad phase in terms of power cost and low production level. Today the stainless situation isn't all that encouraging, but once the stainless steel industry starts picking up, then you can expect a spurt in demand for Ferro Chrome emanating on account of that.

**Mitul Mehta:** Do you see the stainless steel industry picking up?

**G. R. K. Prasad:** Well, I can only quote the industry report which says that the second half could be a time when this kind of increase can happen.

**Mitul Mehta:** Would you have any sense on what is the marginal costing of Ferro Chrome producers in South Africa?

**G. R. K. Prasad:** sorry, I don't have a number. With reference to South Africa, I think most of the chrome producers there are those who have possibly captive mines as well. So the marginal costing would be definitely different from what is obtained in India. On the other hand, the chrome ore that is obtained in South Africa is of the inferior quality when compared to India. There is a relative difference in there as well. So, all in all, I think today not much of difference exists between what is in India and what is in South Africa.

**Mitul Mehta:** And current prices of around Rs. 55,000 to 57,000 per tonne have actually fallen a bit from Rs. 62,000 to 60,000 per tonne. Do you think we have more or less hit the bottom or could we see some more downward pressure going forward?

**G. R. K. Prasad:** This is very volatile as you would have noticed. I can't say it is bottomed, but at the same time given the cost structure and we seem to be operating at the break-even level at this point of time. I don't expect the prices to fall further. The only situation that is possible is upward increase.

**Mitul Mehta:** Okay. Thank you very much, sir.

**Moderator:** Thank you. The next question is from the line of Bhavin Chedda from Enam Holdings. Please go ahead.

**Bhavin Chedda:** When will you commission 64 MW plant?

**G. R. K. Prasad:** We are targeting commissioning by December 2010.

**Bhavin Chedda:** And Andhra Pradesh 2 X 150 MW?

**G. R. K. Prasad:** One unit should come on scene in July to September 2012. And another one will probably come 3 to 4 months later.

**Bhavin Chedda:** Okay. And I missed out on the reason for other expense. Why have they increased?

**G. R. K. Prasad:** The other expenses comprised of three constituents for this quarter. One relates to a compensation, which we were subjected to for diverting a part of the power intended for open access to the local grid. And that was about Rs. 10 crore. And there is an element of excise duty, which is factored in the inventory, if you look at on a q-o-q basis, is higher by about another Rs.10 crore because, last year, we had carried provision for diminution, which got corrected. So in effect, we had a remission of excise duty last year on a q-o-q basis.

**Bhavin Chedda:** Is there additional excise duty on inventory of Rs. 10 crore?

**G. R. K. Prasad:** Yes. As you know, the inventory, one of the closing stocks needs to be paid for. And third one is benefit of about Rs. 3 crore, which was again on account of diminution benefit, which we obtained last year and which is not there this year q-o-q basis.

**Bhavin Chedda:** Diminution value of investment?

**G. R. K. Prasad:** Diminution value of inventory.

**Bhavin Chedda:** Okay, so from next quarter onwards, you will again move back to other expense of Rs. 12 crore – Rs. 13 crore a quarter, right?

**G. R. K. Prasad:** Probably around Rs. 13 crore to Rs. 14 crore. Yes.

**Bhavin Chedda:** Okay. And in the standalone and consolidated result, you said in consolidated result there is an additional debt of Rs. 60 crore, right?

**G. R. K. Prasad:** Not debt. I said it was a reference point of cash, that's about Rs. 60 crore to Rs. 70 crore higher.

**Bhavin Chedda:** So Rs. 60 crore to Rs. 70 crore cash is higher in consolidated results.

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

**Bhavin Chedda:** Okay. So in consolidated results, debt will remain same at standalone Rs. 406; crore cash in standalone is Rs. 596 crore, plus Rs. 60 crore in consolidated, so Rs. 650 crore net cash?

**G. R. K. Prasad:** Well, on a consolidated basis, yes, I think you're right. Probably I missed out on one small debt and cash equivalent of another 50 crore, both got contract.

**Bhavin Chedda:** Okay. So standalone and consolidated net debt is same with a net cash of Rs. 200 crore, right?

**G. R. K. Prasad:** Net cash of about Rs. 250 crore, yes.

**Bhavin Chedda:** And this doesn't include Rs. 84 crore realized in July, right?

**G. R. K. Prasad:** No. Rs. 84 crore came in July.

**Bhavin Chedda:** Okay, thanks a lot, sir.

**Moderator:** Thank you. The next question is from the line of Ravi Purohit from Securities Investment Management. Please go ahead.

**Ravi Purohit:** I have a couple of questions about the power plants that we have. The 2 X 150 MW, can you just give us the station heat rate for the plant?

**G. R. K. Prasad:** You're talking about the plant under implementation?

**Ravi Purohit:** Yes, 150MW X 2.

**G. R. K. Prasad:** The station heat rate is about 2500.

**Ravi Purohit:** But are we planning to use imported coal for these power plants, right? At least one of them from our Indonesian mines...

**G. R. K. Prasad:** It's like this. The unit near the Kakinada Coast will use about 80% imported coal and 20% local coal. And the one at Paloncha will use 80% Indian coal and 20% imported coal.

**Ravi Purohit:** So how much would the calorific value of the coal be that you are going to use, approximately?

**G. R. K. Prasad:** The imported coal should fetch us the calorific value of about 4500 kilocalories. Local will be about 3000 kilocalories on a blend basis.

**Ravi Purohit:** Okay. What will be the cost of imported coal? I presume this Indonesian mine, we have kept some margin at the Company in Indonesia?

**G. R. K. Prasad:** Not in Indonesia, in Singapore.

**Ravi Purohit:** But what will be the actual landed cost for us for that coal to come to our power plant?

**G. R. K. Prasad:** Including the margin we expect the landed cost to be about 3,300 per tonne.

**Ravi Purohit:** 3,300 per tonne and net of that margin?

**G. R. K. Prasad:** That could be about \$10 less, Rs 2700 per tonne or so.

**Ravi Purohit:** Okay, all right. Thanks a lot.

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

**Sunil Jain:** This year merchant realization was Rs. 5.10 per unit. How much is it right now and how do you expect it in this second quarter?

**G. R. K. Prasad:** Second quarter, corresponding realization is about Rs. 4.60 per unit.

**Sunil Jain:** Rs. 4.60 per unit against Rs. 5.10 per unit.

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

**Sunil Jain:** And from Rs. 4.60 per unit, there will be some billing charges and all?

**G. R. K. Prasad:** No, I'm saying net of that.

**Sunil Jain:** Net of that. So Rs. 5.10 is including billing charges?

**G. R. K. Prasad:** No, not billing charges, it is a rebate on account of prompt payment, that's about 10 to 15 paise.

**Sunil Jain:** Net is Rs. 4.90 per unit. Against that we will be getting around Rs. 4.60 per unit?

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

**Sunil Jain:** And you expect this rate it to stabilize over a year or it can improve from here?

**G. R. K. Prasad:** There is a possibility of improvement.

**Sunil Jain:** Is this the current quarter, this second quarter a bit of a lean period for realization?

**G. R. K. Prasad:** Second quarter is typically lean. That's why the rates are lower.

**Sunil Jain:** Okay. So possibly in the third quarter, we may see some up move.

**G. R. K. Prasad:** We do expect so .

**Sunil Jain:** Okay, sir. Thank you very much.

**Moderator:** Thank you. The next question is from the line of Deep Srihari from TCS Securities. Please go ahead.

**Deep Srihari:** Sir, my question is pertaining to inventory valuation. When I look at the Ferro Alloys production in the current quarter, there is a significant increment q-o-q, but that is not getting reflected in the inventory valuation. Could you please explain how the valuation has been done?

**G. R. K. Prasad:** Inventory valuation follows the principle of lower of cost or realizable value. We have a factored in the cost here.

**Deep Srihari:** Okay. So does that mean that your cost of production has been significantly lower in this quarter?

**G. R. K. Prasad:** For the Manganese, yes, relative to what was obtained in let's say last year.

**Deep Srihari:** But the valuation seems to be quite significantly different. How is it for Chrome in that case, q-o-q?

**G. R. K. Prasad:** Chrome is higher. Chrome is definitely higher relative to manganese.

**Deep Srihari:** The point I am making is, q-o-q I think there is an accretion of close to 8,000 tonnes both put together. But that's not getting captured in the inventory valuation. I presume that most of the inventory is composed of Ferro Alloy. There is an accretion to your ferroalloy inventory, Q1 versus Q4.

**G. R. K. Prasad:** Well, you need to factor the inventory carried and diminution provision last year.

**Deep Srihari:** Okay. So not in Q4?

**G. R. K. Prasad:** Yes. you haven't reckoned that. But if you remove that I don't think there is any big difference between the two inventory values.

**Deep Srihari:** That's around Rs. 10 crore, you said earlier.

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

**Deep Srihari:** Okay, fine. Thank you.

**Moderator:** Thank you. The next question is from the line of V.K. Karthi Keyan from Suyash Advisors. Please go ahead.

**V.K. Karthi Keyan:** Just one question on your current thinking on how to manage the risk in power price volatility? Is there a change in the way you intend to approach this business or you think you will continue to kind of move with whatever market prices are?

**G. R. K. Prasad:** Basically I think by the quantum of power that we are dispatching the current model will hold us in good state. But for the new power plant that are under implementation we are looking at a different business model where a part of power will be locked for long-term sales.

**V.K. Karthi Keyan:** Okay. And have you already started discussions with potential buyers for this and what's the possible pricing range that you are looking at?

**G. R. K. Prasad:** Difficult to put a number at this point of time, but suffice to say that we already started discussions to enter into long-term power sales.

**V.K. Karthi Keyan:** Right and these are negotiated basis?

**G. R. K. Prasad:** There are two routes open. One is bidding against case one tender. Other one is an MOU, which is on the basis of CERC rules.

**V.K. Karthi Keyan:** And I am sure you are choosing the case one route.

**G. R. K. Prasad:** Obviously

**V.K. Karthi Keyan:** No the reason I specified that is that so I am just trying to understand this in terms of what kind of demand is currently available for case one kind of projects what kind of pricing is available? Just to get a feel in flavor of the way the market is evolving.

**G. R. K. Prasad:** But if you see recent deals that already been closed let's say from Maharashtra we are talking about Case one fetching probably reasonably higher than Rs. 4 per unit.

**V.K. Karthi Keyan:** Well okay, and it is for what?

**G. R. K. Prasad:** It is for medium terms sale if you have noticed.

**V.K. Karthi Keyan:** Would these be for more than five years tenure?

**G. R. K. Prasad:** Yes, more than five. See what is critical is how long do you want to lock your power sale. We believe that the initial five years would be the time when we could target a better rate and afterwards we could probably fall in line with the market. So the pricing could be such that initially it will be higher and tapering down as we move further.

**V.K. Karthi Keyan:** Right. Yes.

**G. R. K. Prasad:** And it incidentally addresses the leveraging issue as well.

**V.K. Karthi Keyan:** Right and I am assuming that you are funding wherewith financial closure has been achieved without recourse to any kind of PPA at all. In the sense that is being effectively guaranteed by the parent balance sheet.

**G. R. K. Prasad:** No it's not guaranteed by parent balance sheet The lenders have taken comfort that we have factored only Rs. 3.50 as the price for servicing. That Rs. 3.50 seems pretty much realistic.

**V.K. Karthi Keyan:** And therefore they have funded it as a merchant power plant effectively.

**G. R. K. Prasad:** Yes, on a non-recourse basis.

**V.K. Karthi Keyan:** Thank you very much.

**Moderator:** Thank you. Ladies and gentlemen, that is the last question. I would now like to hand the conference over to Mr. G. R. K. Prasad for closing comments. Please go ahead, sir.

**G. R. K. Prasad:** Thank you very much for participating in this conference call. I hope the questions have been answered satisfactorily but in case there are unanswered questions or for anything please feel free to contact me. You have my contact details or you could always approach our IR consultancy CDR India for any kind of feedback or question answers. Thank you very much.

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

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