



## **Nava Bharat Ventures Limited**

### **Conference Call Transcript**

### **June 01, 2012**

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#### **Siddharth Rangnekar**

Good afternoon everyone and thank you for joining us today on Nava Bharat Ventures Limited Q4 and FY12 conference call. We have today on the call Mr. P Trivikrama Prasad, Mr. G R K Prasad, Mr. P J V Sarma, Mr. T Hari Babu, and Mr. M N Rao. The call will start with the Mr. Prasad making his opening remarks and then we shall turn to the Q&A session. I would now like to call upon Mr. Vikram Prasad to share his views.

**Vikram Prasad** Good afternoon everyone and a very warm welcome to all of you. I trust you would have gone through our results communications and I would like to add some highlights on the operating performance, progress of our ongoing projects and strategic initiatives. As usual I will commence with developments on the international front. After which I will share some pointers with regard to our domestic business:

#### **International Business**

Our project in Zambia which involves revamping the coal mine, installation of new Coal Handling and Processing Plant (CHPP) and setting up a mine mouth thermal power plant is progressing well. CHPP is operational and we have commenced the extraction of the high-grade coal.

This coal is of a good quality, with 6,300 units in calorific value. We are proposing to market this coal within Zambia to industries like cement, breweries, copper mines etc. At a later date, as the volumes start building, we shall explore possibility of exports to nearby African nations around Zambia

- The thermal grade coal, with a calorific value of 3000-4000 k.cals, which comes as a byproduct in the upper seams would be utilized in the mine mouth power plant.
- We envisage a total extraction and sale of 400,000 tons in FY2013 as far as high-grade coal is concerned. The eventual run rate will stand at approximately 1 million tons per annum over a period of two years. The ramp-up from the first month onward is expected to be gradual.
- Thus far we have extracted 20,000 tons of such high grade coal and over 750,000 tons of low grade thermal coal. This inventory is being recognized in our books at cost.
- To give you an update on the associated mine-mouth power plant, I am pleased to mention that the implementation is progressing rapidly. The EPC contractor that MCL hired is progressing with the grounds work and MCL announced NTP, the zero date, in the last week of April, 2012. SEPCO, the EPC Contractor is proceeding with the works at a rapid pace. MCL expects to commission 300 MW power plant in 36 months' time.
- I am also glad to share that we have concluded the requisite all major Project Agreements for this project like PPA, Implementation, Development and Connection Agreement and EPC Contract.

Environmental Clearance has also been obtained for the project in the month of April.

- Project Finance tie up also proceeding as per the plan with the Project and Debt advisory assistance from Absa/Barclays Bank of South Africa and it is contemplated that we would be sourcing the Debt partly from DFIs, ECA lines and balance from international Commercial Banks. Pending Project Finance closure, we are proceeding with implementation of the project with equity contributions from the Parent as well as our partner ZCCM in Zambia, which is also a cash rich company. We have also negotiated credit lines with Indian Banks for standby assistance for the project. In a nut shell, the Power Project is proceeding as per the schedule with tie ups on all fronts completed and physical progress at rapid speed.
- Kobe Green power in which Nava Bharat Singapore holds controlling interest, is pursuing Namphak Hydro electric Project in Laos. AECOM, New Zealand has completed the Detailed Feasibility study and we would be submitting the same to Government of Laos for finalization of Shareholders Agreement and Concession agreement. Hydrology survey has also been initiated and results are expected during the course of the year. Negotiations would commence shortly with EDL on tariff based on the feasibility report estimates.

There are no further developments on the Indonesian venture and efforts are under progress to recover our investment.

We now move on to our domestic businesses.

### **Power business**

- We are optimistic about this business given the alignment of positives, where firstly we have a 64 MW capacity coming on stream in the second quarter of FY 2013 and are planning to get our 150 MW Paloncha facility in operation by last quarter of the current financial year. The market for merchant power is stabilizing and we are expecting an average rate of Rs. 4.50 per unit for the current year. Our existing operations are geared to deliver high PLFs, which were affected in 2011-12 due to agitations in Andhra Pradesh and Section 11 imposition in Odisha. I am optimistic of a much better performance from power divisions taking into account the present tariff rates and additional capacities available for NBVL in 2012-13.
- For the new 64 MW power plant at Kharagprasad, the Company has received the statutory clearances. We are looking at commissioning this unit in Q2 of FY 2013.
- As you would be aware, this project is aimed at the merchant market and we have to sell 12% share of the generation to GRIDCO under OERC approved rates.
- Our other 64 MW plant at the same location where we had stopped generation has been restarted as GRIDCO started making payments for power purchase. We will continue to transfer power for the conversion at a rate which is the grid determined rate in this case.
- We are well placed in terms of coal requirements given that we procure from multiple sources through linkages and washery rejects supplemented by e-auction and imports. In the current year as well, we foresee a similar environment as far as coal is concerned.

### **Ferro Alloys business**

- We have had a good year in Ferro Alloys where we commenced conversion for Tata Steel. As you would recall we have an agreement with them to produce Ferro Chrome at a fixed cost, which would completely cover our overheads in Odisha besides leaving us margin. As such this division produced much better results in FY2012. The outlook for the coming year is optimistic and we are targeting a higher utilisation at our Paloncha facilities where Manganese Alloys are produced. Similarly we are favourably disposed to increase production under the conversion project for Tata Steel.

### **Sugar business**

- Volumes in our sugar business remain healthy. Global sugar consumption has continued to increase. Accompanied by the higher production in the recently concluded crushing season we expect to have reasonable operations going forward as well.

The price trend in the sugar sector will be determined by Government of India's policies regarding exports of sugar and import duties. We are getting benefits from the Ferro Alloys production and the outlook on the domestic merchant power has improved and will continue to support our operating performance.

With that I have covered the important points relating the operations and prospects and I would now like to request the moderator to open the session for Q&As.

- Moderator** The first question is from Sumangal Nevatia from Macquarie. Please go ahead.
- Sumangal Nevatia** I have two questions with regard to the domestic power business. What is the off take agreement in place for FY13 and for what period it is? And second is if you can give any outlook or guidance for merchant rates in FY13?
- G.R.K. Prasad** For FY13 that is commencing from April to May we had an overlapping agreement which has just concluded. And from June, 2012 to May 2013, we signed an agreement for AP power with the local grid, through the traders, which gives us an effective realization of about Rs. 4.50 to 4.60.
- Sumangal Nevatia** Is this for the entire capacity?
- G.R.K. Prasad** Yes, the entire surplus capacity from our AP power plants, 114 MW at one place and 20 MW at other place based on imported fuel.
- Moderator** The next question is from Ravindra Vashist from IDFC AMC. Please go ahead.
- Ravindra Vashist** If you can just throw some light on the PLF of the plants for the last quarter and as far as for the whole year for the various plants for PLF?
- G.R.K. Prasad** You need to remember that company suffered on account of outages during Telangana agitation in AP. And the closure of one power plant in Odisha on account of restriction on open access upon imposition of Section 11. But for these outages, power plants have performed reasonably well and in fact, in the 4<sup>th</sup> quarter our AP Power plants were operated at 95% PLF on an average. On an overall basis, we have PLF of 89% in Andhra Pradesh and Odisha is about 60%.
- Sumangal Nevatia** So AP power plants have a PLF of 89% for the whole year and the last quarter is 95% across all the plants, is that correct?
- G.R.K. Prasad** For example, AP Paloncha PLF is at 98.5% and in Dharmavaram at 95% for the quarter. The Odisha plant has lower output due to the section 11 imposition and there was no generation in 64 MW unit.
- Sumangal Nevatia** And if you look at the cost of the power in the income segment which was being shown for the whole year as well as for the last quarter, power and fuel expenses have gone up considerably. So what has been the average cost of generation for our various plants, for the last quarter as well as for the whole year?
- P.J.V.Sarma** The cost of generation in the case of Andhra Pradesh is about Rs. 2.6/Unit in relation to this quarter and the Odisha is about Rs. 2.80/Unit and Dharmavaram is

high almost close to Rs.4/unit. But FY12, if you look at it as a whole it comes to around Rs. 3.00/unit.

- Sumangal Nevatia** That is the weighted average for all the plants put together is Rs. 2.8/unit?
- P.J.V.Sarma** Yes.
- Sumangal Nevatia** And how would be the net realization?
- G.R.K. Prasad** Rs. 3.86 for the year FY12.
- Sumangal Nevatia** If you can throw some light on few items in the income statement On the other operating income and other income, there is an exceptional item of Rs. 52 crore, if you can give some broad breakup of what the other operating income consists of which is Rs. 81 crore for the whole year and other income of Rs. 170 crore for the whole year, on the consolidated basis?
- G.R.K. Prasad** In principle other operating income consists of conversion charges on account of Tata Steel, as far as Rs. 52 crore it is related to reversal which we got in Maamba Collieries from liabilities, which is an exceptional item.
- Sumangal Nevatia** Could you just elaborate on that?
- G.R.K. Prasad** Nava Bharat Singapore has 65% stake in Maamba Collieries, when we took over and after compliances some of those liabilities relating to tax got reduced on account of the penalty reduction. Those reduction in liabilities has been shown as Rs. 52 crore.
- Sumangal Nevatia** Okay and other income of Rs. 170 crore? On a consolidated basis for the whole year?
- G.R.K. Prasad** That is mostly in terms of interest income and investment income and receipt of second installment from Essar towards sale of 50% stake in Navabharat Power.
- Moderator** The next question is from Amit Golchha from Emaky Global. Please go ahead.
- Amit Golchha** One question is if I look at your captive power realizations and if I divide the inter segment revenues by your captive consumption units, realization is Rs. 5.74 per unit, just wanted to check what is gone in this realizations because it used to be Rs. 2.8 to 3.2 per unit and in this quarter it has suddenly jumped. Number two is that despite your ferrochrome sales volumes being significantly higher than Q3 FY12 the revenue and the profit is much lower. If you can explain that?
- G.R.K. Prasad** The transfer price in Odisha was at Rs. 4.80. That is the one reason because in AP there is no change. On the other question where you said about the volume jump in Ferro volumes which is not accompanied by the turnover, it is because of the conversion charges what we take into account and the sales value of ferrochrome.
- Amit Golchha** But similar thing would have been done in last quarter, you would have taken conversion charges into account because it was largely to Tata Steel?
- G.R.K. Prasad** But it started in October, you're talking about a lesser conversion volume as well?
- Amit Golchha** No volume has been going up or has gone up, but the revenues and profit have come down?

**G.R.K. Prasad** Are you talking about Ferro alloys?

**Amit Golchha** Ferro Chrome

**G.R.K. Prasad** Ferro Chrome is not reported separately. It is part of the Ferro alloys only.

**Amit Golchha** So what you are saying is Silico manganese has gone down, and is that the reason?

**G.R.K. Prasad** Yeah, it has gone down.

**Amit Golchha** Is it Rs. 4.8 of captive realizations in Odisha?

**G.R.K. Prasad** That is for captive consumption.

**Amit Golchha** And what are you realizing in AP?

**G.R.K. Prasad** AP last quarter was Rs. 2.75 for captive consumption.

**Amit Golchha** Am I missing something because your captive transfer price this quarter is Rs. 5.74.

**M.N.Rao** No it is not 5.74, it is 5.15

**Amit Golchha** What I did is your intersegment revenues are Rs. 47 crore, which I believe are the captive power revenues? And the captive power units are 8 crore units.

**P.J.V.Sarma** The transfer price is done at the grid price. The transfer price is from the Ferro alloys, both in AP and Odisha. It is based on the transfer pricing and whatever is the grid rate and charges for Ferro alloys unit.

**M.N.Rao** This 81.2 million is the total captive consumption in AP for silico manganese and in Odisha for ferrochrome. Something around Rs. 4.80/unit is charged for ferrochrome conversion. And for conversion of Silico manganese, it is charged at around Rs. 2.90/unit. The rate derived of Rs. 5.15 per unit is the balancing figure added for captive consumption charged and to be charged for the previous three quarters.

**Amit Golchha** Is it fair to resume that your intersegment revenues of Rs. 47 crore are largely captive power?

**M.N.Rao** Yes

**Moderator** The next question is from Vaibhav Bharadia from Violet Arch. Please go ahead.

**Vaibhav Bharadia** I just wanted your view on Silico manganese guidance for FY13?

**G.R.K. Prasad** We expect the price to hover around Rs. 57,000/ton for FY13.

**Vaibhav Bharadia** What is the kind of sales that we are looking at because I have seen that it has come down this quarter?

**G.R.K. Prasad** This quarter the sales were consciously reduced because the power realizations were better so we used only one furnace for a while and two furnaces for a while,

but from June onwards, we are producing manganese alloys in three furnaces, in FY13 we expect the production and sales to hover around 75,000 tons.

- Vaibhav Bharadia** You are talking about entire sales volume of 75000 tons right?
- G.R.K. Prasad** Yes.
- Vaibhav Bharadia** Just wanted a clarification on the Maamba Collieries has the production started, or still the process is on?
- G.R.K. Prasad** The coal extraction has started a little while ago. What has commenced is the operation of the new coal handling and processing plant from which washed coal will be generated. The company started the sales of washed coal quite recently, though in small volumes. We expect the volumes to increase over few months and this year we expect the sale of washed coal to be around 400,000 tons.
- Vaibhav Bharadia** 400,000 tons for the entire FY13?
- G.R.K. Prasad** Correct.
- Vaibhav Bharadia** Is this the high-grade coal that you are talking about.
- G.R.K. Prasad** Correct. The low-grade coal will also be extracted but that will be kept for captive consumption, in the mine itself.
- Vaibhav Bharadia** If I can know what is the GCV for this coal?
- G.R.K. Prasad** The high grade coal GCV is around 6300 Kcal.
- Vaibhav Bharadia** If I can know the per ton extraction expense?
- G.R.K. Prasad** It is actually in early-stage but we expect the cost of extraction and washing to be around USD 40 per ton this year.
- Vaibhav Bharadia** Any kind of additional CAPEX that is required on that front, on a consolidated level. What is the CAPEX that you are expecting for FY13-14?
- G.R.K. Prasad** The CAPEX will be mainly related to the Maamba Collieries where a 300 MW power plant is coming up, we are looking at an equity infusion to the extent of about 160 million dollars in total, of which roughly about \$50 million has already been pumped in.
- Vaibhav Bharadia** The rest of the 110 million dollars will be scheduled in the next two years?
- G.R.K. Prasad** Probably about 70% of that in FY13 and balance in FY14.
- Vaibhav Bharadia** The tariff for Ferro alloys conversion in AP that has been specified is it likely to change in near future?
- G.R.K. Prasad** For this year it has been fixed so the effective tariff should be about Rs. 3.75.
- Vaibhav Bharadia** The 64 MW was about to start within 30 -45 days. Is rest of the 64 MW lying ideal because of the section 11 implementation?

**G.R.K. Prasad** That also has commenced from mid-May but currently the power is getting injected to GRIDCO where we expect to realize around Rs. 3.

**Vaibhav Bharadia** Earlier if I remember it was somewhere around Rs. 2.7 that GRIDCO was offering?

**G.R.K. Prasad** Rs. 2.75 was what GRIDCO was offering but the more problematic thing was that GRIDCO was not paying. We had to take a conscious decision of stopping the generation because of that receivables and now GRIDCO started paying that is why we started injecting the power and that could help us stabilize the operations thereby.

**Vaibhav Bharadia** Is 64 MW is also operational from this month onwards and you will be injecting the power to GRIDCO?

**G.R.K. Prasad** Up till June end and that's when the restriction will stop. After June we expect to go through open access again.

**Vaibhav Bharadia** Is entire 64 MW generation going to GRIDCO?

**G.R.K. Prasad** Currently yes.

**Moderator** The next question is Vijay Kumar from Spark Capital. Please go ahead.

**Vijay Kumar** The realization you spoke about in the merchant market at the range of Rs. 4.5 to 4.6. Is this gross or net?

**G.R.K. Prasad** We are talking of net.

**Vijay Kumar** Since it is within AP, there won't be any reduction etc?

**P.J.V.Sarma** Because this is a contract more or less we are entering in for a period of one year, the net realization as Mr. Prasad was mentioning works out to Rs. 4.5 to 4.6.

**Vijay Kumar** With respect to the Odisha power plant that commenced in mid-May and the tariff is going to be Rs. 3. Now has Odisha cleared whatever dues it had earlier or that has not yet happened?

**M.N.Rao** As of now they have started clearing and there are not many dues left, that is something around Rs. 16 to 17 crore.

**Vijay Kumar** So that is why you started supplying again?

**M.N.Rao** Yes..

**Vijay Kumar** How was a tariff of Rs. 3.00 determined? How is this transfer price determined, the Rs. 4.80 in Odisha or Rs. 2.75 in AP?

**M.N.Rao** Grid charges that are charged to Ferro alloy units is the basis for transfer price.

**Vijay Kumar** If there is an increases in Grid tariff for a Ferro alloy unit, you will also automatically increase it, is it a fair assumption to make?

**M.N.Rao** Absolutely it is a very fair assumption to make.

**Vijay Kumar** Any tariff revisions on the cards in AP?

**M.N.Rao** Not for this year, for this year it has been fixed and the tariff should be about Rs. 3.75.

**Vijay Kumar** I just want to get a sense of the profitability in your Zambia business, you spoke a lot about volumes that are likely to be hit over there in the future and so on, what is the EBITDA and PAT for FY12 and how would it look going forward in FY13, assuming numbers you are saying are met?

**P.J.V.Sarma** It is too early to talk about definite numbers at this stage. We target for sale of 4 lakh tons of high grade coal during FY13.

**Vijay Kumar** In FY12, what would be the numbers be?

**P.J.V.Sarma** Though mining was commenced during FY12, we are talking about sale of high grade coal during FY 13 only.

**Vijay Kumar** FY12 there would still be up in P&L running?

**P.J.V.Sarma** FY 12 is more or less implementation period for the coal project revival. The numbers are negative by about US 2.00 million after taking into consideration the inventory of thermal grade coal and mine development expenses incurred for revival of the mine.

**Vijay Kumar** I was just trying to get a sense on your reversal or change in inventories of finished goods which are of about Rs. 48 crore during the quarter vis-à-vis about Rs. 42 crore during March 2011. Now why is there a trend of such a huge increase in the inventory in the last quarter? In the December quarter it was only about Rs. 5 crore. The increase in inventory tends to be very high so I just wondering if there is a reason?

**M.N.Rao** Increase in inventory during FY 12 is due to having inventory of sugar being of seasonal production in nature at stand alone and on consol level due to having the inventory of thermal grade coal

**Moderator** The next question is from Nikhil Salvi from IDFC. Please go ahead.

**Nikhil Salvi** Is it possible for you to give plant wise mix of fuel in terms of how much is from linkage, e-auction, washery rejects, and imported coal?

**M.N.Rao** If you look at the current quarter in Paloncha plant, about 80% linkage and around 10-12% rejects. In Odisha plant 2/3<sup>rd</sup> is linkage and rejects are 1/3<sup>rd</sup>.

**Nikhil Salvi** Are you buying any coal in e-auction currently? Or are you clubbing e-auction with linkage right now?

**M.N.Rao** Yes linkage plus e-auction.

**Nikhil Salvi** Earlier on the call you mentioned that AP tariffs may increase to above Rs. 3/unit?

**M.N.Rao** Yes, presently AP tariff is Rs. 3.75/unit.

**Nikhil Salvi** Is this the grid price that you are referring to?

**M.N.Rao** Yes this is the grid tariff.

**Nikhil Salvi** Currently how much is it?

**G.R.K. Prasad** Rs. 3.75/unit.

**Nikhil Salvi** You were referring earlier on the call that this may increase even further, is it ture?

**G.R.K. Prasad** Presently it is 3.75 and this is for one year.

**Moderator** The next question is from Mohit Kumar from Antique Stock Broking. Please go ahead.

**Mohit Kumar** Regarding other income which you have booked in the quarter of Rs. 170 crore on the consol level, can you throw some more light on it because Rs. 170 crore the number looks significantly high.

**G.R.K. Prasad** It consists of- one interest income, second is investment income and third we had capital gain on second tranche of sale of stake in Navabharat Power Private Limited to Essar

**Mohit Kumar** Is there something about an exceptional item of Rs. 52 crore. It says something about Maamba Collieries. Can you just elaborate on that?

**G.R.K. Prasad** Maamba Collieries had carried certain liabilities pertaining to old dues of taxes and penalties which were actually reduced based on certain compliances and some reliefs which were extended to the company. Those reliefs translated to about Rs. 52 crore in rupee terms that being an exceptional item which is non-recurring, is shown in the consolidated balance sheet.

**Mohit Kumar** How much equity we have infused in 150 MW Dharmavaram power plant?

**M.N.Rao** 150 MW is in Paloncha. As of now we have infused Rs. 200 crore of equity.

**Mohit Kumar** And how much is still to be infused?

**Vikram Prasad** Rs. 200 crore is the total promoter's equity that is envisaged in that.

**Moderator** The next question is from Amit Golchha from Emkay Global. Please go ahead.

**Amit Golchha** Is our merchant trade in this quarter is about Rs. 4.77/unit?

**M.N.Rao** Merchant realization during this quarter was at an average of Rs. 4.86/unit.

**Amit Golchha** If I look at the inventory figure in consolidated balance sheet is about Rs. 33 crore which is higher than last year inventory figure so am i assume that the thermal grade coal you are recording in the accounts? Last year inventory in standalone and consolidated was almost similar but this year there is a difference of about Rs. 30 crore so I would assume that is thermal grade coal which is there.

**M.N.Rao** Yes, you are correct. It is mainly because of a part of thermal grade coal on consolidated level and a part of increase in the inventory of the sugar at stand alone.

**Amit Golchha** That would appear in your standalone because if there is an increase in Indian company then that would come in the standalone balance sheet. What I am talking about is the consolidated balance sheet. Is the difference between consolidated inventory and standalone inventory is largely thermal grade coal in Zambia?

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

**Amit Golchha** Considering that have you produced about 750,000 tons of thermal grade coal in this year?

**G.R.K. Prasad** Yes 750,000 tons.

**Amit Golchha** The cost of production at that mine for thermal grade coal you are booking is about \$9-10 per ton, am I correct in that?

**G.R.K. Prasad** That is right about \$10 per ton.

**Amit Golchha** What is it that you are booking when you say that high grade coal would be costing at about \$40 per ton? What is going into that cost? Are you booking interest or financing you have done for this mine in this grade coal or you would be booking direct in that?

**G.R.K. Prasad** As you might know the thermal grade coal obtained in upper seams is with practically no stripping ratio, so whatever cost is attributed to the thermal grade coal is up to the point where thermal grade coal is extracted and compacted. While the lower seams consist of the high grade coal, the extraction cost plus the CHPP cost will be included to the extent washing takes place or to the extent of transportation that takes place. And in the CHPP coal another element is the recovery element which is derived from the washing operations. So all three factors would take the finished high grade coal inventory cost a little higher than what is obtained for the thermal grade coal.

**Amit Golchha** But the cost will remain same.

**G.R.K. Prasad** \$10 will actually go to increase the EBITDA margin in high grade coal.

**Amit Golchha** On Rs. 52 crore profit which you have booked from the liability in Zambia, is this liability was sitting in the other long term liabilities?

**G.R.K. Prasad** Yes.

**Amit Golchha** But if I look at your other long term liability figure it was Rs. 67 crore last year and this year it is about Rs. 50 crore why that has gone down by Rs. 17 crore?

**G.R.K. Prasad** If you see Schedule-VI presentation has changed and that is the difference.

**Amit Golchha** You had recorded this liability in your books earlier and why it is no longer there?

**G.R.K. Prasad** No it is a reversal effect. The liability got reversed. Specifically Maamba subsidiary accounts went to reduce the opening losses whereas in Singapore books it is taken as an income as far as the Singapore GAAP is concerned. That is how it is translated in exceptional items.

**Moderator** The next question is from Ravindra Vashist form IDFC Asset Management Company. Please go ahead.

**RavindraVashist** The finance cost being reduced for the year even though the borrowings have increased. So how has that happened?

**G.R.K. Prasad** Are you talking about standalone?

**RavindraVashist** I am talking about consolidated.

**G.R.K. Prasad** The borrowings are mostly in foreign currency loans so to that extent the relative cost will be significantly lower than what is obtained in India.

**RavindraVashist** If compared to last year because we would have taken the borrowings as well, the foreign currency borrowings should have been there last year.

**G.R.K. Prasad** Not so much. There has been an increase in this year.

**RavindraVashist** So have we replaced domestic borrowings with foreign currency borrowings?

**G.R.K. Prasad** We are talking about borrowings in Singapore level and Maamba Collieries.

**G.R.K. Prasad** Yes we basically borrowed some money in Maamba Collieries for CHPP plant.

**RavindraVashist** What I am just trying to understand is that if I look at even for the standalone for the year, the finance costs have reduced from Rs. 22 crore for the last year to Rs. 16 crore whereas for consolidated it has gone down from Rs. 38 crore to Rs. 25 crore so what I am just trying to understand is have we replaced high cost debt with low cost debt because the absolute borrowing has actually increased for the year?

**G.R.K. Prasad** The absolute borrowing has increased for the consolidated balance sheet. As far as standalone is concerned it has been as a result of repayment of loans.

**RavindraVashist** In the financial statement there is a minority interest loss of Rs. 30 crore which is shown so which subsidiary is this on account of?

**G.R.K. Prasad** These are two subsidiaries. We have minority interest in the Maamba Collieries as well as Kobe Green Power.

**RavindraVashist** What are the losses there?

**G.R.K. Prasad** You cannot equate minority interest as loss. That minority interest is an investment of total expenditure as well as all the net adjusted figures.

**RavindraVashist** Rs. 32.39 crore is not exactly losses over there. You are saying it is just an adjustment of other expenses as well.

**G.R.K. Prasad** Yes.

**Moderator** The next question is from Sumangal Nevatia from Macquarie. Please go ahead.

**Sumangal Nevatia** You gave the fuel mix in the 4<sup>th</sup> quarter, if you can give the expected fuel mix in FY13 and what has been your experience in April-May in terms of delivery of linkage coal?

**G.R.K. Prasad** Broadly you can say around 60-65% will be the linkage and around 20-25% washery rejects and around 5% is e-auction that is the general trend in the last couple of years and which we feel will continue in FY2013.

**Sumangal Nevatia** Yesterday Ministry of Power published guidelines for short-term power off take through competitive based bidding. Do you have any further clarity as to from when it will be implemented and how do you view this development? Will it result into better relation than current?

**G.R.K. Prasad** Are you talking about one year?

**Sumangal Nevatia** Less than one year.

**G.R.K. Prasad** It is a function of two things.. What the Utilities are prepared to pay and how competitive the bids can come in. We have seen the competitive bidding in the Phase-1. Bids have been very competitive to very aggressive in terms of pricing especially where the fuel is based on imported coal, the rates are very high and where it is derived from captive mines rates are very low. I don't think we can read it either way at this point of time. We just concluded one contract of short-term procurement in AP where gross rates are around Rs. 5/unit and net rate is as I was telling you, is about Rs. 4.50/unit.

**Moderator** The next question is from Mohit Kumar from Antique. Please go ahead.

**Mohit Kumar** Have you tied up the fuel for 64 MW new power plant?

**G.R.K. Prasad** The fuel is to be sourced from two sources, one is washery rejects and the other one is coal through e-auction. The third option being considered at this point is blending imported coal.

**Mohit Kumar** And what could be the mix sir?

**G.R.K. Prasad** We expect each to be one-third.

**Mohit Kumar** You signed a PPA for Maamba Collieries Power Plant, so what is the basis for the tariff for that particular power plant?

**G.R.K. Prasad** It is a negotiated tariff with underlying project cost and equity return imputed.

**Mohit Kumar** This is in dollar terms?

**G.R.K. Prasad** In dollar terms, yes.

**Mohit Kumar** Have we achieved the financial closure for this particular power plant?

**G.R.K. Prasad** There are two stages with which we are tackling the finance, first we have obtained some standby facility or backup facility for this power project and the second stage is the project finance stage which is being led by Absa/ Barclays capital consortium from South Africa. That project finance tie up is expected to get closed by December.

**Moderator** The next question is from Nikhil Salvi from IDFC. Please go ahead.

**Nikhil Salvi** What is the expected timeline of commissioning of 150 MW Paloncha?

**G.R.K. Prasad** We expect this plant to go on stream in the Q4 of this year.

**Nikhil Salvi** Any update on the tie up of sale of power from this new unit?

**G.R.K. Prasad** Part of the power is getting factored in the case I bidding which AP has floated. Balance we are taking as merchant power. We are also looking at tying up with some of the bulk customers if they can join the consortium to buy power.

**Nikhil Salvi** Fuel for this plant, any update on that?

**G.R.K. Prasad** At present the fuel will be a mix of washery rejects and imported coal.

**Nikhil Salvi** In what proportion sir?

**G.R.K. Prasad** Imported coal could be about 70%.

**Moderator** The next question is from Amit Golchha from Emkay Global. Please go ahead.

**Amit Golchha** The imported coal which you are going to bring for 150 MW Paloncha plant, is it going to come from an Indonesian venture where you have some economic interest?

**G.R.K. Prasad** Yes that is one option but that might take some time. We have been talking to some large traders in between.

**Amit Golchha** And AP case one bid is what you have mentioned is that have won this bid?

**G.R.K. Prasad** AP broke the bid in to two parts, one for one year up to May 2013 and the other is for three years thereafter. We are talking about sale of power from 150 MW power plant in the second bid. What we contracted so far is under one year contract.

**Amit Golchha** That is how much?

**G.R.K. Prasad** Each is around Rs.4.50 to Rs. 4.60 net.

**Amit Golchha** That is for Paloncha 150 MW?

**G.R.K. Prasad** This is for the existing power plants of Paloncha and Dharmavaram.

**Amit Golchha** For 150 MW Paloncha plant have you made any bids in AP?

**G.R.K. Prasad** That is for the three year bid which is under case-1 and is yet to close.

**Moderator** The next question is from Ravindra Vashist of IDFC Asset Management Company. Please go ahead.

**Ravindra Vasisth** In case regarding Mr. Jagan Mohan Reddy Nava Bharat Ventures name was also mentioned along with that when it was raised. Now apparently CBI has filed a charge sheet against Mr. Reddy and the newspaper and media report suggests that few companies' names have been mentioned in the charge sheet. Is Nava Bharat's name also mentioned in the charge sheet or is there any needle of suspicion on the company?

**G.R.K. Prasad** No. it has not been mentioned and the facts of SEZ case have been answered very satisfactorily to the CBI. There was no nexus and Nava Bharat has no role to play.

**Moderator** Ladies and gentlemen that was the last question. I now hand the conference over to Mr. Prasad for closing comments.

**G.R.K. Prasad** Thank you very much and it has been a pleasure interacting with you all. Any further questions or any clarifications that you may require, may please be addressed by way of mail to us and we would be happy to answer.

**Moderator** Thank you. On behalf of Nava Bharat Ventures Limited, that concludes this conference call.