



Nava Bharat Ventures Limited

Q2 & H1 FY 2014.Earnings Conference Call

November 13, 2013

Moderator Ladies and gentlemen, good day and welcome to Nava Bharat Ventures' Q2 & H1 FY14 Earnings Conference Call. As a reminder for the duration of this conference all participant lines will be in the listen-only mode. There will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during this conference please signal an operator by pressing * and then 0 on your Touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Siddharth Rangnekar from CDR India. Thank you and over to you, Siddharth.

Siddharth Rangnekar Good afternoon everyone and welcome to the Q2 & H1 FY2014 conference call. Today we will be joined by Mr. G.R.K. Prasad – Executive Director, Mr T Haribabu, CFO and Mr. M. N. Rao - GM (Finance).

Mr. Prasad will commence the proceedings with his thoughts on the operating and strategic progress made during the reporting period. This will be followed by a Q&A session where anyone with a query can seek views from the management.

A note of caution, some of the statements made on today's call could be forward looking in nature and the Company and members of the management do not undertake to update them later in light of changed circumstances.

At this stage, I would like to now call upon Mr. Prasad to share his views.

GRK Prasad

Good afternoon everyone. Thank you for joining us on today's discussion. I trust you would have browsed through our Q2 & H1 quarter results and the release.

- On a standalone basis Total Income in Q2 FY14 stood at Rs. 2,475 million and the Profit after Tax was at Rs. 472 million. In H1 FY14 Total Income was at Rs. 4,999 million whereas the Profit After Tax stood at Rs. 974 million.
- All the three business segments of the Company were impacted by external and seasonal factors relative to the corresponding period in the previous year which accounted for the reduction in profitability.
- As you might have observed the half year was marked by very low merchant power rates despite there being huge demand supply gap, owing to the weak financial position of the Utilities across the country which have pursued active demand management.
- As the realizations were very low, the Company had to resort to self-curtailment of generation, especially in Odisha power plants.
- Maintenance outages and grid curtailment during heavy monsoon period affected generation volume in AP Power plants.
- As the Ferro Chrome conversion could be resumed only from August, the value addition for power through captive usage was limited to two months.

- Subdued demand for steel forced the manganese Ferro alloy prices to remain flat and lack of Ferro chrome conversion resulted in under recovery of fixed costs in Odisha.
- As the surplus cash got deployed in long gestation projects towards equity, other income was lower.
- The performance of Sugar Division remained muted on account of lower realizations during the first half.

The 150 MW Unit of our subsidiary Nava Bharat Energy India Limited operated satisfactorily within the grid limitations and by using a blend of imported and local coal to contain cost of generation at reduced loads.

The Zambian project has obtained good traction with Coal Mine Revival and Rehabilitation work having almost been completed and the 300 MW Power Project construction having reached erection stage. The subsidiary expects to achieve financial closure for long term debt finance of US\$ 560 Million shortly in the overall project outlay of US\$ 800 Million with participation of leading Development Financial Institutions like African Development Bank, ECA facility provider from China having sanctioned facilities and insurance covers respectively to be followed by sanctions from Commercial banks using this ECA cover.

Other overseas projects are in various stages of development with our Singapore Subsidiary having active interaction with relevant Government agencies in Tanzania and Laos.

With that, I would now like to request the moderator to open the session for Q&As.

- Moderator** Thank you very much Sir. We will now begin the question and answer session. Anyone who wishes to ask a question may press * and 1 on their Touchtone phone.
- The first question is from the line of Mohit Kumar from IDFC Securities. Please go ahead.
- Mohit Kumar** Sir, couple of questions there. First one is how much of coal production in the quarter from our Zambian mines?
- MN Rao** The Zambian mine during the quarter produced 105,000 ton of high grade coal.
- Mohit Kumar** Can you provide the details of generation, plant wise in terms of how much was produced at Andhra Pradesh and how much at Odisha, in the quarter?
- MN Rao** Generation details plant wise, I can share the PLFs; at AP Plants at Paloncha we had 86% PLF and at Odisha 94 megawatt plants it was 50% PLF and the 20 megawatt was at 74% PLF.
- Mohit Kumar** What is the PLF for 150 megawatt of Nava Bharat Energy India Limited?
- MN Rao** 150 megawatt this quarter it is at 65% because there was 15 to 18 days outage due to maintenance.
- Mohit Kumar** And how is the generation right now from our Andhra Pradesh power plant, I am talking about these couple of months?

MN Rao Generation as such is going good for last couple of months. There is no outage or anything during these two months.

Mohit Kumar Is there any further development on 64 megawatt power plant which has been stranded in Odisha for quite some time?

GRK Prasad Well, the 64 megawatt is stranded now on account of realizations being very subdued at less than the variable cost, at this point of time, rather than due to any kind of statutory bottleneck or regulatory clearance, which was the case earlier. So we have to see some kind of improvement in the realizations before we start generation in that power plant.

Mohit Kumar Have you signed any MoU with Odisha Government for this power plant or is it not required anymore?

GRK Prasad The **MOU is** not required for the sale of power. Well, but MoU is required as a part of normal compliances.

Mohit Kumar Do we need to sell anything to Odisha now?

GRK Prasad No, Odisha does not require power. The MoU will only postulate how much power that Odisha would have right as a first right of a refusal. Since Odisha is presently in surplus and there is no requirement of power at present.

Mohit Kumar Have you participated in any of the upcoming bids for short term?

GRK Prasad Yes, we are participating.

Mohit Kumar In the next couple of months?

GRK Prasad We are participating. Excepting Odisha which is a bit stranded. We are not able to do anything from Odisha. For AP power we are yes, participating in some of bids in the Southern region.

Mohit Kumar I understand that Rajasthan Utilities have floated a bid for around 800 megawatt from January onwards?

GRK Prasad Right. But we have a transmission constraint which is the problem.

Moderator Thank you. The next question is from the line of Ravinder Vashisht from IDFC Mutual Fund. Please go ahead.

Ravinder Vashisht I have a couple of questions. First is if I understood rightly you said that on the Odisha 64 megawatt so there are no statutory bottlenecks anymore. So does that mean that all the approvals and clearances in terms of whatever statutory clearances that were required have been obtained and it is only due to lack of realization or subdued realizations that we have not been operating that plant?

GRK Prasad That is right.

Ravinder Vashisht Second is Sir, I just wanted to understand because if my memory serves me right the last call that we had post the Q1 results we were told that for the plants all I mean including Odisha plant and the Andhra Pradesh plant and the new 150 megawatt merchant power realizations basically there are medium term PPAs which have been signed which are worth Rs. 5 a unit if I am not mistaken.

GRK Prasad From AP power plants, yes.

Ravinder Vashisht So then when you say AP power plant you are talking of the 150 MW plus the existing plants, right?

GRK Prasad That is right.

Ravinder Vashisht So just to understand, so because in the opening commentary you mentioned that merchant power realizations have been soft during the quarter. So just to understand what is the net realization that we have had?

GRK Prasad No, that is relative to Odisha power not for AP. As you know AP and other southern states are kind of isolated so our merchant power rates in AP are reasonably good relative to what is obtained outside of the Southern regime.

Ravinder Vashisht So what is the sort of realization that we would have got in AP Sir?

GRK Prasad Our average realization for Q2 is about Rs. 4.88, net.

Ravinder Vashisht Which is still lower than what we obtained during the first quarter, isn't that the position?

GRK Prasad I am saying it is net actually. That means that would be net of rebate in terms of everything. Actually it is slightly better excepting that the cost of generation in the second quarter would have gone up because of the lower generation. So realizations wise I do not think it is an issue excepting the quarter was marked by lower generation both in terms of grid curtailment as well as our maintenance outages which are normally scheduled in this quarter.

Ravinder Vashisht What is the outlook going forward for the next couple of quarters as well as considering that like you rightly mentioned that South India is sort of isolated today because it is not connected to the grid and so the understanding is that Southern grid will be connected to national grid during the last quarter of FY14. So then do you expect the softening of prices in Andhra Pradesh as well in FY15?

GRK Prasad Well, I think it is too early to really surmise Ravinder. Basically what we have on table is that we have a contract up to May 2014 for all our surplus power from AP power plants which gives us let us say a net realization of Rs. 5 on an average. So as far the grid connectivity is concerned well, I think various timelines are being cited both by Powergrid as well as the local transmission utilities also. They are saying most probably by the end of second quarter they would be in a position to really use the grid connectivity. So probably yes, in the second half of FY15 we can see some kind of price rationalization as far as these regional disparities could be addressed to some extent. Well, it is too early to really put a number or when these things will take time. Connectivity could happen but for the power flow to happen there will be some lag. When that happens, how it take shape it is too early to really comment.

Ravinder Vashisht Lastly, just to understand in Zambia during the last call the company was hopeful that the financial closure would happen by October and so the date has pushed forward now. So is it because of procedural delays or I mean what is the reason for that really just to understand?

GRK Prasad I would put it as the sanction process itself is kind of taking longer time than we probably anticipated especially the process in China which involved first to obtain an insurance cover from the ECA provider that is called Sinosure, which requires

validation by their Ministry internally and then the credit sanction from the banks would follow. Whereas as expected we have received the DFI sanction from AFDB (African Development Bank) very much on track at the end of, rather early October. But unfortunately the bank process got delayed.

Ravinder Vashisht Sir, if you just allow me one more. Just to understand what is the outlook on the 64 megawatt Odisha plant going forward?

GRK Prasad I think it is probably we may have to look at as a total picture. We have now about 158 megawatt of operating capacity there, part of it is designated as captive which takes about 94 megawatt and 64 is the independent power plant. So what we are trying to see is whether we could get in to some kind of a value addition business plan which could be reasonably pursued. That is what we talked about and made the disclosure also. All our efforts are presently in that direction to see how best we could probably use this power generating capacity to obtain value addition for power.

Ravinder Vashisht And Sir, any success in because the company had plans to do a strategic sale of those assets like you rightly mentioned so any success there or any early feelers that we have got there?

GRK Prasad Yes, but we cannot obviously disclose anything. Lot of discussions are happening as we talk.

Moderator Thank you. As there are no further questions I would now like to hand the floor back to Mr. Prasad for closing comments.

GRK Prasad Thank you everybody and whoever has been listening to. Well, it has been a trying time for the Company and we hope the coming months would show some better results in terms of quantitative performance as well as realization front. With that I would like to end the call. Thank you very much.

Moderator Thank you. On behalf of Nava Bharat Ventures that concludes this conference. Thank you for joining us and you may now disconnect your lines.

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