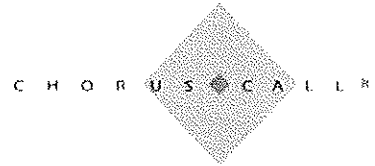
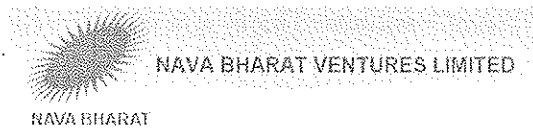


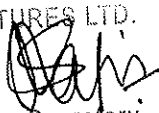
“Nava Bharat Ventures Limited Q1 FY-17 Earnings Conference Call”

August 25, 2016



MANAGEMENT: **MR. G. R. K. PRASAD – EXECUTIVE DIRECTOR, NAVA BHARAT VENTURES LIMITED**
MR. T. HARI BABU – CHIEF FINANCIAL OFFICER, NAVA BHARAT VENTURES LIMITED
MR. P. J. V. SARMA – DIRECTOR, NAVA BHARAT PROJECTS LIMITED
MR. M. N. RAO – VICE PRESIDENT-FINANCE, NAVA BHARAT VENTURES LIMITED
MR. VSN RAJU – COMPANY SECRETARY, NAVA BHARAT VENTURES LIMITED

For NAVA BHARAT VENTURES LTD.


Company Secretary
& Vice President



Moderator: Ladies and gentlemen, good day and welcome to Nava Bharat Ventures Limited Q1 FY17 Earnings Conference Call. This conference call may contain forward-looking statements about the company which are based on the belief, opinion and expectation of the company as on date of this call. These statements are not the guarantee of future performance and involve risks and uncertainties that are difficult to predict.

As a reminder, all participants' lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing '*' and then '0' on your touchtone telephone. Please note that this conference is being recorded. I now hand the conference over to Mr. G. R. K. Prasad – Executive Director from Nava Bharat Ventures. Thank you and over to you, sir.

GRK Prasad: Good afternoon and a warm welcome to all the participants. I am joined by my colleagues Mr. T. Hari Babu – CFO, Mr. P. J. V. Sarma – Director, Mr. M. N. Rao – VP-Finance, Mr. V. S. N. Raju – Company Secretary and SGA, our IR advisors.

I hope you have had a look at our financial results. The company's release on the financial results and corporate developments is uploaded on stock exchanges as well as on the company's website.

I will start with the standalone business, which comprises of power plant at Telangana and Odisha, ferro alloy business and sugar business.

Standalone Power Business registered revenue of Rs. 132 Crs. EBIT of Rs.51 Crs in Q1 FY16, growth of 16% year on year basis. EBIT Margin improved by 700 basis points to 38.6% in Q1 FY17 from 31.6% in Q1 FY16. However Grid curtailments impacted the generation volumes significantly during the quarter.

The Company has a one year contract with Telangana Grid for sale of all the surplus power with a guaranteed off take of 70%. The Company expects that the erosion of demand, seen in the past few months will be corrected in the coming months providing a degree of stability in the power operations of Telangana and AP power works.

The Odisha power operations had the benefit of sustained captive consumption accompanied with higher value addition though the entire power from the three units aggregating to 150 MW could not be put to viable use.

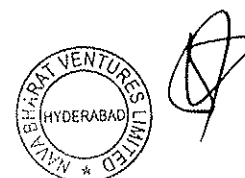
Ferro Alloy Business has registered revenue of Rs.107 Crs in Q1 FY17 growth of 29% year on year from Rs. 84 Crs in Q1 FY16. It contributed 28% to Total Consolidated Revenue as against 22% in same quarter last year. The Conversion arrangement of Ferro Chrome with Tata Steel ensured overall stability in this business though Manganese Alloy operations remained sub-optimal in terms of relative margins.

Our Sugar Business registered revenue of Rs.34 Crs in Q1 FY17, growth of 158% year on year from Rs. 13 Crs in Q1 FY16. It contributed 9% to Total Consolidated Revenue as against 3% in Q1 FY16. This was mainly on account of reasonable realizations and reflective of sector trends.

At the standalone level, the Company registered revenue of Rs. 207 Crs in Q1 FY17 from Rs. 199 Crs in Q1 FY16, growth of 4% year on year. During the quarter, other income has increased by 90%. This was mainly on account of interest and guarantee commissions from Overseas subsidiaries. The corresponding increase in finance cost by 50% on year on year basis was on account of the loan borrowed by NBVL for equity infusions in overseas subsidiary. Net Profit for the company is at Rs. 27 Crs in Q1 FY17 from Rs. 15 Crs in Q1 FY16, growth of 79% year on year.

The Company adopted Ind- AS for reporting both stand alone and consolidated financials for Q1 of FY 2017. The higher deferred tax and tax provisions were consequential thereto aside from reduced tax holiday limiting the MAT Credit Entitlement for the quarter.

At the consolidated level the correction in results was significantly on account of the 150 MW unit of Nava Bharat Energy in Telangana being subjected to severe Grid



curtailments and loss of generation aside from lower merchant power realizations year on year basis.

Company has registered revenue of Rs.314 Crs in Q1 FY17. Net Profit for the company is at Rs.29 Crs in Q1 FY17 with Net Profit Margin of 9.3%. Other Comprehensive Income stands at Rs.37 Crs in Q1 FY17 which comprises exchange translation of various line items to effect consolidation of financials of overseas subsidiaries.

Coming to Maamba Collieries Ltd:

We are heartened that the integrated Zambian Power project of 300 MW is set for commercial operations soon. It is expected to contribute to the consolidated financials for the second half of FY 2017. The 300 MW project is fully integrated with captive fuel resource, dedicated water drawl facility and power evacuation system and is further benefited by significant and sustained demand gap in Zambia and surrounding regions.

The Zambian Coal mining operations will also have the added fillip by the transfer and consumption of thermal grade coal in power generation, supplementing the high grade coal operations in the coming periods.

Nava Bharat (Singapore), the Wholly Owned Subsidiary of the Company in Singapore exited from the Laos Hydro Power Project in favour of Chaleun Sekong Group (C S Group) of Laos PDR. Given the requirement of resource deployment and capital allocations for current as well as new overseas projects, this is a step in the right direction. The equity divestment to C S Group is being done in two tranches and is profitable relative to the investment in the project so far.

Consolidated debt stands at Rs. 4,095 crores as on 30 June 2016. Of this Rs. 3,469 crores pertain to Zambian project, Rs. 266 crores pertain to Nava Bharat Energy India and Rs. 360 crores to Nava Bharat on standalone basis inclusive of working capital debt.

The board of directors on its meeting on 22nd July 2016, has approved the issuance of bonus shares in the ratio of 1:1 i.e. One Bonus Equity Share of Rs. 2/- each for every One existing Equity Share of Rs. 2/- each. The same was approved in our AGM yesterday. Post the issue of Bonus shares, total Issued Share Capital of the company stands at Rs. 35.8 Crs

for 179,078,432 equity shares of face value of Rs. 2 per share. The record date for Ex-bonus is September 3, 2016.

That is all from our side and now we can open the floor for Q&A.

Thank you.

Moderator: Thank you. We will now begin with the question-and-answer session.

We take the first question from the line of Vinod Malviya from Florintree Advisors. Please go ahead.

Vinod Malviya: Sir, just wanted to get the view on the power situation in AP and Telengana. So far, in Q2, how has been the power off take by the Telengana and AP governments for both the 150 megawatt at energy level and the rest of the power plants at a standalone company?

GRK Prasad: As I just now outlined, though we have a contract with Telengana grid for all the surplus power for the Telengana power plant as well as the 20 megawatt AP power plant, there has been a grid curtailment in the beginning of the contract period resulting in lower generation and that curtailment continued through August as well. But recently they have started taking the full power. This is actually in line with the increase in demand as well in the region and we expect that situation to continue for the balance period of the year.

Vinod Malviya: What was the PLF during Q1?

GRK Prasad: It varies, from power plant to power plants and is hovering around 50% on an average.

Vinod Malviya: And since you have an off take guaranteed of 70% so what type of fixed charges they pay you for 70%?



- GRK Prasad:** It is not on the fixed charge basis. But, if the off take is less than 70%, they pay a penalty for whatever shortfall below that 70%.
- Vinod Malviya:** Okay and sir second question was on the Ferro business. So this time, we have turned positive at the EBIT level. So is it because of the appropriation of other income towards the Ferro business or is it more to do with there were some few weeks I would say where the silicon manganese prices were really turned positive for you, the spread you were making on silico manganese was positive or going forward because since now the silicon manganese price have again come down, so going forward this current run rate or at least like kind of a Rs. 1 crores or Rs. 0 crores of EBIT what you are reporting ferro alloy will be repeated?
- GRK Prasad:** Yes, it is principally on account of the changes in Odisha operations. So we are talking about Ferro alloy business on a consolidated basis, where the significant changes affected in the Ferro chrome. It has brought about a significant change while the manganese alloys will remain subdued for some time. We expect the margins will be somewhat under some pressure till at least October-November. But the Odisha situation has actually neutralized that change.
- Vinod Malviya:** Okay so this current run rate what was reported in Q1 even in Q4 you had a loss of Rs. 6 crores to Rs. 7 crores at the EBIT level?
- GRK Prasad:** Yes, We expect that will change.
- Vinod Malviya:** Okay, and sir the last thing was on the Zambia operation. So by when do you expect exactly I mean the operation of the power plant will get operational?
- GRK Prasad:** Well, as of now the first unit has already been injecting power into the grid though on a pre commissioning basis. So we expect that to achieve commercial operations by September which will be

immediately followed by the second unit. And so we expect both the units to remain on commercial stream from October onwards giving us six months heads up in the operations.

Moderator: Thank you. We take the next question from the line of Bhavin Chedda from Enam Holdings. Please go ahead.

Bhavin Chedda: Sir, few questions. On the Zambia side first. Now entire project cost has already been spent or there has been anything which is pending now?

GRK Prasad: It is not spent because as a cost incidence it will happen after the COD, so significant cost will get incurred I think by November.

Bhavin Chedda: So if you can update on the pending amount?

GRK Prasad: This amount is about \$200 million.

Bhavin Chedda: USD 200 million is still pending?

GRK Prasad: That is right, which includes the creation of debt service reserve account and final payments of interest during construction and final payments to the contractor.

Bhavin Chedda: Right because I am seeing sir our debt numbers have gone up substantially, so if I remember correctly we were supposed to reach a debt of Rs. 4,000 crores on the entire project cost getting expended. So where is the mismatch or there is a net cash spending in Zambia operations?

GRK Prasad: There is a net cash spending in Zambia operations though but the debt level is a function of loan drawn which has taken place, which happens ahead of the expenditure.

Bhavin Chedda: I agree. So you gave the gross debt number of Rs. 4,095 crores. So how much would be cash amount if any in any of the companies which is outstanding?

GRK Prasad: Well, in Zambia we have about \$90 million cash.

Bhavin Chedda: About \$90 million, okay. Any other entity, Singapore entity or NBEIL any other cash which is outstanding?

GRK Prasad: As of 30th June 2006, no.

Bhavin Chedda: So the cash balance is close to \$90 million. And regarding this power, if I remember sir you have contracts for 213 megawatts with Andhra Pradesh right, with rates varying at 4.6 to 4.8. so you are saying that out of this 213 megawatts in Quarter one, you operated at 50% only, so roughly 100 -120 MW what the merchant sale was in the Quarter 1 between standalone entity and the NBEIL?

GRK Prasad: Well, the 50% is the operational metrics but the contract is for surplus power.

Bhavin Chedda: Agreed so. On a surplus power basis what was our run rate of the contract we have with the Telangana Discom?

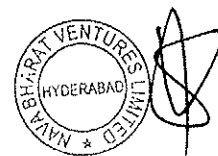
GRK Prasad: For about two months, they did not take power.

Bhavin Chedda: They did not take power only?

GRK Prasad: Yes.

Bhavin Chedda: Okay so this you are saying has been restored right now?

GRK Prasad: Yes.



- Bhavin Chedda:** Okay and sir my last question on this Laos thing. How much is our equity investment and debt if any in that company and what are we expecting there because you have sold that unit and you said already received first trench so what kind of?
- GRK Prasad:** The development cost that the Singapore subsidiary incurred is about \$6.8 million.
- Bhavin Chedda:** USD or Singapore?
- GRK Prasad:** USD.
- Bhavin Chedda:** \$6.8 million dollars okay.
- GRK Prasad:** Yes, the transaction is profitable. We would come back to you in terms of the final numbers once the transaction is fully closed.
- Bhavin Chedda:** This is including the equity component which must have been put through this company?
- GRK Prasad:** It is only equity component. It is at the development stage there is no debt on the project.
- Bhavin Chedda:** So we are expecting it to receive in this fiscal only?
- GRK Prasad:** Yes, hopefully before the second quarter end.
- Bhavin Chedda:** Okay and sir any guidance on tax rate because that was substantially higher so what should we forecast effective tax rate in standalone and consolidated for this year?
- GRK Prasad:** It would hover around 20%.
- Moderator:** Thank you. We take the next question from the line of Sachin Kasera from Lucky Investments. Please go ahead.

Sachin Kasera: Yes, sir, as regards NBEIL can you tell us what was the EBITDA for the quarter and if you would kindly give us the sales and EBITDA for the same quarter last year?

GRK Prasad: EBITDA for the quarter is Rs. 21 crores compared to Rs. 46 crores last year.

Sachin Kasera: Secondly sir, when I see your press release your captive consumption of power has gone from 63 million to 120 million and merchant power has gone down from 235 million to 165 million. So these merchant sales in standalone should also improve in the remaining two quarters sir?

GRK Prasad: It is actually dynamic. See we switch the power usage pattern in our Telangana works between consumption and sales, Last few months there has been a deceleration in power sales so we had to use more of captive consumption and that will remain dynamic going forward.

Sachin Kasera: Second sir, on silico manganese and Ferro manganese if we see on the manganese alloy your production volume has gone up from 7,000 to almost 15,000. So is it mainly because you are starting to see better prices there or?

GRK Prasad: This is necessitated on account of power offtake being reduced from the grid whatever surplus power we contracted. So we increased the production and we would increase the production levels just to keep it as a hedge to ward of any kind of a problem in terms of power usage going forward.

Sachin Kasera: Because this means our inventory has gone up because of sales of manganese alloys is lower by almost?

GRK Prasad: No increase on inventory level, the stock has been moving and there is no absolutely no problem on stock.

Sachin Kasera: Secondly sir, are there any upcoming tenders you are participating for selling the surplus power?

GRK Prasad: Not in the near vicinity but we are keeping ourselves ready. Because we have some limitations in terms of size of the power plants whereby we could not participate in the earlier tenders. But we are keeping ourselves open for that especially from the subsidiary, 150 MW.

Sachin Kasera: Sir, secondly one question regarding the future capital allocation of the company. Now that Zambia plant is fully operational and we have already put in all our equity commitments, Laos also you have exited. India we do not have any plans of further expansion that we know of. So as far as the parent company is concerned, once you repay whatever is our outstanding debt very large both in Indian operations what is the outlook in terms of any thought process in terms of how you will be going forward utilizing the surplus cash or the cash flow of the company in the next two- three years?

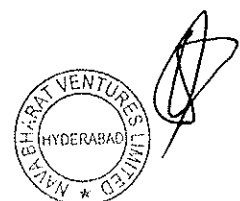
GRK Prasad: Yes, that is an exercise that we are currently engaged on. We will come back with appropriate answers in due course. Yes, that is a plan which is being evolved now.

Sachin Kasera: So could that include looking into diversification also it would mainly hover around some projects in the current businesses only?

GRK Prasad: I mean everything is possible.

Sachin Kasera: And are there any hurdle rates that the Board has given that beyond this IRR or Return on Capital you would not be looking at any other projects just to give comfort to the investor?

GRK Prasad: Yes, that will be one of the principal considerations.



- Moderator:** Thank you. We take the next question from the line of Amit Golchha from HDFC Mutual Fund. Please go ahead.
- Amit Golchha:** Sir, actually I missed what you said in terms of the penalty which is tabled by Telangana SEB on lower PLFs below 70% so that is what amount which you get paid?
- GRK Prasad:** It is actually low PLF. We have a contract of 213 megawatts so Telangana grid has committed to take 70% on a yearly basis, on the contract basis. So if they find themselves short they will pay per unit certain amount which I think is around Rs. (+1).
- Amit Golchha:** Okay so that Rs. 1 per unit you will get paid irrespective of whatever power they take, for your 70% PLF?
- GRK Prasad:** No, whatever shortfall is there below that 70% they will pay that Rs. 1 per unit.
- Amit Golchha:** Okay and did you actually got this money in this quarter?
- GRK Prasad:** No, last contract penalty is being pursued. We would get it. It is not recorded yet.
- Amit Golchha:** And have you recognized this money into the accounts?
- GRK Prasad:** No, we did not recognize.
- Amit Golchha:** Secondly sir, the linkage which is there from Coal India now CPP linkage is being actually is ending either FY17 end or FY18 end. So for us, what are the scenarios? Are we participating in the auctions? How are we contemplating the coal supply going forward?
- GRK Prasad:** As far as Odisha linkages are concerned, we have FSAs running up to March 2018. So before that, we do not need to get into this mode. But for the Telangana ones, yes, we probably would be switching over to

captive coal auction. That would happen in the coming month from April 2017 onwards.

Amit Golchha: So you are already bidding in the auctions?

GRK Prasad: They have not yet opened it so we are keeping ourselves ready for that.

Amit Golchha: And sir, in ferro alloys business if I look at 3Q and 4Q ferro chrome conversion, it is I think similar to the Q1 numbers this quarter but the difference between EBIT is significant. We incurred a loss last two quarters but this quarter it is a profit. So you mentioned that it is basically because of the capacity contract. Can you explain a bit more in terms of why there is a change between 4Q and 3Q to 1Q now?

GRK Prasad: No, there is one more aspect which needs to be factored, that is, in the first two months of the quarter we had a good margin for manganese as well.

Amit Golchha: Okay so basically now the change between 4Q to 1Q is mainly led by that silico manganese, so?

GRK Prasad: Partly yes and also on higher volume of chrome as well in conversion.

Amit Golchha: And sir if I look at the volumes, 3Q volumes were higher than 1Q volumes?

GRK Prasad: Yes, true.

Amit Golchha: So basically if silicon manganese the prices have come down again, it is likely that we might be just below break even or around that level which was there. Is that a correct assumption?

GRK Prasad: Yes, see manganese ore prices also are slightly corrected. So I think the realistic picture will be known sometime in November when existing contracts will come for renewal or something like that.

- Amit Golchha:** You have mentioned in the press release that there is some forex gains in other income. So can you quantify that income?
- GRK Prasad:** In the other income, there are three components in fact. The first component is interest which is about Rs. 8 crores. The foreign currency fluctuation is at about Rs. 11 crores.
- Amit Golchha:** Out of Rs. 36 crores of other income?
- GRK Prasad:** That is right and interest income is about Rs. 8 crores, balance guarantee commission and other expenses.
- Amit Golchha:** Guarantee commissions is from the subsidiaries?
- GRK Prasad:** That is right.
- Amit Golchha:** Sir, but in console it should get set off, right so?
- GRK Prasad:** Yes, both interest and guarantee commission are set-off, that is why you will see the consolidated other income has not moved up significantly.
- Amit Golchha:** So sir, basically, out of Rs. 36 crores, Rs. 11 crores are your forex fluctuation income and balance about Rs. 25 crores is purely interest earned from outside investments. Is that correct?
- GRK Prasad:** Right.
- Amit Golchha:** But sir there is no cash you mentioned in the books right now. So this Rs. 25 crores is mainly on Zambian money or from where is it coming?
- GRK Prasad:** No, there is some cash of course it is not like we are totally cash out or anything like that. Whatever operating cash is there, it is being deployed.

- Amit Golchha:** But sir Rs.25 crores is?
- GRK Prasad:** See out of Rs. 36 crores we have income coming from Nava Bharat Energy as well as Standalone Company. You are talking about consolidation number, right?
- Amit Golchha:** Yes, consolidated Rs. 36 crores of other income?
- GRK Prasad:** So we have income coming from Indian subsidiaries as well like small subsidiaries. Of course the complete break up can be given offline but it is there.
- Amit Golchha:** Okay all right. And lastly interest expenses of Rs. 28 crores, in the console, so I would assume that you gave three items of debt. So essentially one is in Zambian subsidiary, second is in Nava Bharat Energy and third is in standalone. So standalone and Nava Bharat Energy interest should be appearing in the P&L right now. So both put together the debt is about Rs. 620 crores?
- GRK Prasad:** That is right.
- Amit Golchha:** And interest is about Rs. 28 crores. So is there any one-time item in this sir, because otherwise the interest rate is coming to somewhere around 17%, 18%?
- GRK Prasad:** No, we will come back to you offline.
- Moderator:** Thank you. We will take the next question from the line of Swati S from Zen Securities. Please go ahead.
- Swati S:** Some of my questions are already answered, thank you for that. Sir, I want to know about the capacity utilization you have got in ferro alloys plant as you said that in Q1 so will it sustain for the remaining quarters and what is the current capacity utilization in that?

GRK Prasad: It will because we would be producing something like 7,000 tons per month from Telengana works and about 5,500 tons from our Odisha works. It will continue actually in that level from now on.

Swati S: Okay sir, one more is on more general like you are divesting the subsidiaries and you also hinted at sugar business. I mean sugar business has been very good in the Q1. So I guess it would contribute significantly during this year for the PAT. So will you consider it, I mean, will it take some more time for taking some decision on sugar business or is it on table in the near term?

GRK Prasad: The issue is one of cyclicity in sugar business. Currently yes, we are seeing a better run. But what happened last year was a significant drop. So our thought processes are currently to reduce the cyclicity to the extent possible in all our businesses. The first of the tasks is relating to sugar business. So we would take appropriate view on that.

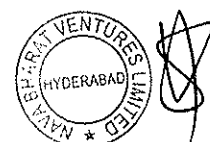
Swati S: Can we expect that in this financial year?

GRK Prasad: Not necessarily but currently the board is engaged on that, so we would like to take a view on that.

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

Ravi Purohit: Majority of my questions have been answered and I think one of the participants question on that other income and break up I think we will appreciate if it can be kind of you know shared with all the investors?

GRK Prasad: Sure we will do that. Just to be on the line. Those who want to clarify, the interest cost on consolidation level includes a certain cost at Singapore level also for external debt that actually contributed to that slightly higher cost.



Ravi Purohit: Finance cost?

GRK Prasad: Yes.

Ravi Purohit: Okay so one of the announcement that we had made towards the end of June was that the bridge loan financing, there was further monies which Maamba Collieries got and as a result of which we got some \$20 - \$30 million Maamba gave it to Nava Bharat Singapore. Now is that money come back to Nava Bharat Ventures because if we look at the debt of Nava Bharat Ventures till about last year we had virtually no long term debt. But I think the March quarter and the December quarter, we drew some Rs.300 - Rs. 400 crores of debt to give it to Nava Bharat Singapore who in turn gave it to Maamba Collieries for that bridge financing. Now some money as per their announcement in June has come back. So whether that has come back from Nava Bharat Singapore to Nava Bharat Ventures and which essentially should result in reduction in debt. So has that process taken place or it is still yet to happen?

GRK Prasad: It happened partly. We got the money from Nava Bharat Singapore also. We have retained some money in Singapore just to see that how the dollar functionality happens. But otherwise the fact of the matter is the entire bridge loan stands repaid to the Group.

Ravi Purohit: How much were that amount, if you could just mention it?

GRK Prasad: Net I think it is \$34 million.

Ravi Purohit: \$34 million which is about I think about Rs. 200 crores?

GRK Prasad: That is right.

Ravi Purohit: So Nava Bharat Ventures' debt will reduce by that much?



GRK Prasad: Yes, partly it is standing in Singapore books and partly in our company.

Ravi Purohit: Okay I missed the part on Laos so actually there was some disturbance in my line here. Can you just share how much money we will receive by exiting this Laos venture?

GRK Prasad: We did not share the money part we said the investment stood at \$6.8 million. The realizations will be reported once the transaction is completed but it is profitable.

Ravi Purohit: Okay so this \$6.8 million is entirely equity investment?

GRK Prasad: Yes.

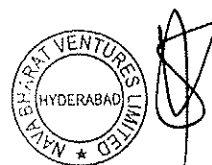
Moderator: Thank you. We take the next question from the line of Mr. Karthikeyan from Suyash Advisors. Please go ahead.

Karthikeyan: Couple of things, sir. One is on the linkage thing. So would you be resizing your power plants in terms of captive and non-captive? How exactly are you thinking about that? You would share some thoughts on that?

GRK Prasad: Well, the change in linkage would actually give us much more flexibility in terms of usage of the power. So that of course is to happen next year. But we are currently very dynamic in terms of manganese alloy prices being volatile and also power side some changes are happening. So we would take a view appropriately.

Karthikeyan: Broadly you are suggesting that you will cut down the captive component definition wise to as little as possible or required did I understand you correctly there?

GRK Prasad: That is right.



- Karthikeyan:** The other question I had was sir?
- GRK Prasad:** And as far as Telangana works are concerned.
- Karthikeyan:** Right and Orissa of course still the contract is alive you will have to go with it?
- GRK Prasad:** Yes.
- Karthikeyan:** The other question is with regard to the project in Zambia sir. I was confused you said \$200 million needs to be paid out by November that is and you said you have \$90 million of cash on the books. So I am wondering is there a further increase in your project cost?
- GRK Prasad:** No, the project loan is still to be drawn, another close to \$100 million is still to be drawn.
- Karthikeyan:** So there is not going to be any further increase in debt as such?
- GRK Prasad:** No, the project cost is well under control.
- Karthikeyan:** And the total equity infused from India sir through all Singapore entity and so on, how much would that be now as in rupees, crores?
- GRK Prasad:** It is \$195 million.
- Karthikeyan:** Roughly Rs. 1,300 odd crores?
- GRK Prasad:** That is right.
- Moderator:** Thank you. We take the next question from the line of Rajendra Mishra from IDFC Mutual Fund. Please go ahead.
- Rajendra Mishra:** Hi, this is Rajendra Mishra from IDFC Mutual Fund. Just a couple of questions on this debt piece. So can you share the debt repayment

plans and whether once your Zambia plant runs through, so is there any accelerated repayment plan?

GRK Prasad: Currently none but it is a timed repayment plan over the next nine years.

Rajendra Mishra: Over the next nine years?

GRK Prasad: That is right, commencing from early 2017.

Rajendra Mishra: Okay and what is the interest rate there?

GRK Prasad: Interest rate I would say is about between 5.5% to 6%. We have of course an interest rate hedge cost which takes it to about 8% altogether.

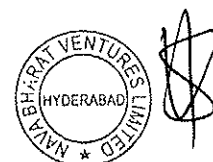
Rajendra Mishra: And have you shared any guidance on revenues or EBITDA per se for the year ?

GRK Prasad: No, we have not shared anything, we do not intend to.

Rajendra Mishra: Okay and what is the hedge cost sorry I missed that number what is the hedge cost you said?

GRK Prasad: Hedge cost roughly is about 2%. That is the interest rate hedge. There is no exposure to foreign currency, the total revenues and cost are delineated in US dollar. So it is only the interest rate hedge that has been taken.

Rajendra Mishra: And on the performance side, is it fair to assume that the plant will be operating cash flow positive at the earliest right from start or is there a gestation period before it will turn cash flow positive?



GRK Prasad: It is actually at a full cost basis tariff so we expect the operations to get stabilized in the very first month. We expect that to happen in the first few months itself.

Moderator: Thank you. We take the next question from the line of Abhijeet Anand from SBICAP Securities. Please go ahead.

Abhijeet Anand: Just on this tax rate. I think you mentioned 20% odd, so how this number getting increased from last three, four years we have seen that it has been negligible and I suppose the Zambian plant is not going to pay tax for the first five years. So how does this 20% number come up?

GRK Prasad: This is standalone basis.

Abhijeet Anand: But the console what would be the tax rates?

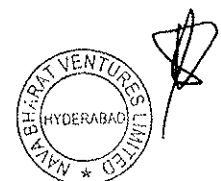
GRK Prasad: The change is on account of two aspects. One is because of the Ind-AS functionality there is a higher deferred tax incidence and second thing is we have run out of the tax holiday provision of the Indian power plants. To the extent the power is used by the other power plants, the higher tax incidence will happen.

Abhijeet Anand: So this tax holiday earlier was with NBEIL, right?

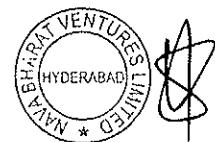
GRK Prasad: This is with NBVL itself. NBEIL will continue to have tax holiday for some time. I am talking about standalone operations.

Abhijeet Anand: So basically 20% odd tax rate on the stand alone, NBEIL is tax free and the NBVL would be taxable?

GRK Prasad: Yes, NBEIL will be subjected to MAT only and it has MAT credit entitlement. So it will have that advantage.



- Abhijeet Anand:** So the effective tax rate for NBEIL will be negligible, for standalone it will be around 20%?
- GRK Prasad:** I would not say it is negligible. It is about 10% in NBEIL and Zambia, yes the operations will remain tax free for the first five years.
- Abhijeet Anand:** So effectively on let us assume that Zambia because we are having half year this time maybe so for this year do you still feel 20% would be the tax free I mean that is a slightly aggressive number?
- GRK Prasad:** Slightly aggressive probably it will hover between 15% to 20%.
- Abhijeet Anand:** And next year it might come down because Zambia would be a larger portion of your profitability?
- GRK Prasad:** This is again standalone so next year also it could hover around the same number. From a consolidation perspective, that is a different number altogether. So with Zambian things, everything will change.
- Abhijeet Anand:** Okay, the second thing is on the ferro alloy side. There are two aspects as you rightly mentioned, one is the silicon manganese prices for the first two months and then the Tata Steel contract. So if I see the swing between 4Q and 1Q of this year, it is around Rs. 8 odd crores. So roughly any ball park number of what has been the benefit on these two elements? Because the silicon manganese prices impact might not repeat in Q2 right?
- GRK Prasad:** Yes, but we are having slightly higher volumes going forward in silicon manganese. To some extent it should correct but pricing pressure continues.
- Abhijeet Anand:** So the Tata Steel impact what would have that been on the EBIT part?



GRK Prasad: Tata Steel conversion provides that we have the full cost covered and certain margin is realized. That probably will have a positive impact on the EBIT. I cannot give the break up though but suffice it to say that between the ferro chrome operations and higher volumes of silicon manganese we should hope to sustain this EBIT level.

Abhijeet Anand: So basically around that neutral type of number for EBIT for ferro alloy will be maintained for the rest of the year?

GRK Prasad: That is right.

Moderator: Thank you so much. We take the next question from the line of Sachin Kasera from Lucky Investments. Please go ahead.

Sachin Kasera: One question regarding your Orissa operations. That asset right now is not being utilized to the full potential. So what are the measures we are planning to take, so that we are able to work at full capacity?

GRK Prasad: For that to happen, we have to have a slightly improved power rates to start with. While our exercise for a strategic off-take are continuing, on a bulk consumer basis.

Sachin Kasera: Second question was regarding your operation in Zambia. Can you give us some color as to what is the peak ROE which is possible once you are able to work the plant at a very high PLF and very high efficiency? What is the PPA structure at?

GRK Prasad: The PPA is for the full power, for the entire delivered power, out of the 300 megawatt power plant. So it is on a take or pay basis. At the generational level, we should realize about \$0.10 cents of tariff and on a simple return on equity basis we should get about 20% to 22%.

Sachin Kasera: 20% - 22% is assuming what type of PLF?



- GRK Prasad:** At 85%.
- Sachin Kasera:** And this 20% - 22% includes the profit that we generate from the project from the sale of coal or this will be over and above this?
- GRK Prasad:** This is power related. The high grade coal sales do not yield much on profit. That is there but the differential will happen through power generation only, mostly.
- Sachin Kasera:** So the peak ROE which is possible even in best case from Zambia is around 22%?
- GRK Prasad:** It will go up once the repayment commences, the ROE also will go up. But I am just giving a ball park average number for the let us say first five years.
- Sachin Kasera:** So once we repay that debt, we do not have to reduce the tariff. The tariff remains the same?
- GRK Prasad:** Yes, it remains same for the next twenty years. There are some escalation factors too but those are mostly related to USPPI.
- Sachin Kasera:** Secondly sir, what is the type of the work scenario in Zambia today and is there any possibility for further expansion. if yes, then what will be the cost of that vis-à-vis the same?
- GRK Prasad:** To answer the first part of the question, the demand gap is very high. And it is like urgently required by the government as well as the country. So that gap is going to be only partly filled by this 300 megawatt. So obviously, it affords an opportunity for expansion as well. But our thought process at this point is to see the operations for a while before we take any steps in terms of expansion. While you know basic work relating to expansion could go on but actual launching of the project for expansion will take some time.

- Sachin Kasera:** But have you any rough estimates to what will be the CAPEX for the capacity expansion if you have to give it?
- GRK Prasad:** No, not at this stage. Those are being evaluated and discussed.
- Sachin Kasera:** Sure and sir regarding the subsidy NBEIL. Currently you must be repaying debt from the cash flow, once that is done. If we have to utilize the cash of the subsidiary, we may end up paying a dividend distribution tax. So is there any plans mark it going forward, does it remains or does it continue to incur all the licenses and PPA. or if you merge it with the parent and some of the the licenses and PPA will become invalid ?
- GRK Prasad:** That is a corporate development I cannot comment upon at this point. But yes, all those things will be weighed at the appropriate time.
- Moderator:** Thank you. We take the next question from the line of Amit Golchha from HDFC Mutual Funds. Please go ahead.
- Amit Golchha:** How have been the realizations in merchant power? So have we sold anything from Orissa in terms of merchant power?
- GRK Prasad:** Very little because the Orissa merchant power is only through IEX and as you know IEX rates have not been so great.
- Amit Golchha:** So if I look at the realizations in Nava Bharat Energy which is when I derive that number it is about 4.65% to 4.7% and the same number in standalone numbers is about 4.1% to 4.15%. So given that both contracts are with Telangana, why there is a difference between these two numbers?
- GRK Prasad:** The Telangana works which is not independent power plant and also caters to the captive consumption to some extent.

- Amit Golchha:** I removed captive, sir basically you give from overall revenues so I just removed the captive part of it the balance merchant sales?
- GRK Prasad:** It is a function of what the component of sale through IEX if any and the relevant point that is how the changes occur.
- Amit Golchha:** So now, Nava Bharat Energy was completely sold under that contract which you had with Telangana and here there is a mix of energy exchange and?
- GRK Prasad:** Yes, in both cases it might so happen that grid and IEX will be there but it is a ratio which would probably change the effective realization.
- Amit Golchha:** And sir once you get this auction linkage, you said for the plant will automatically change from CPP to IPP or you will have to get it converted?
- GRK Prasad:** There is nothing like a CPP or IPP, the question is all captive linkages will become an auction linkage.
- Amit Golchha:** No, what I am asking sir is you had mentioned one of the questions that once you get this auction linkage you will have flexibility to sell more in the merchant?
- GRK Prasad:** See the point I was driving at is, we would not be required to have that captive consumption norm which could impact the coal linkage once we go through the auctions.
- Amit Golchha:** You are assuming that Telangana will keep its relaxed provisions in terms of CPP?
- GRK Prasad:** No, currently of course, there is no restriction in terms of captive consumption in Telangana, but it is not likely to continue like that forever, right.

- Amit Golchha:** Right so once that happens sir, once Telangana removes the restriction then you will have to get converted the plant from CPP to IPP?
- GRK Prasad:** Yes, we can choose> Like for example we have three units. We can definitely delineate one unit for captive use and use a part of the coal for that and balance IPP based. So many combinations can be worked out.
- Amit Golchha:** And lastly sir, is there any impact of this MOEF norms which were there in terms of?
- GRK Prasad:** Pollution control?
- Amit Golchha:** No SOx, NOx etcetera, those norms applied for us and have we assessed as to what is it that we are try to do?
- GRK Prasad:** As far as our power plants go that is not required.
- Amit Golchha:** Because these are not for CPP, is it?
- GRK Prasad:** Yes, one is of course about the dates on which the power plants got commissioned and size as well.
- Moderator:** Thank you. We take the next question from the line of Aagum Shah, an individual investor. Please go ahead.
- Aagum Shah:** I just had a question regarding the debt restructuring. What is the basic band like debt is around Rs. 4,000 crores right. So Rs. 90 million is the cash right, so what is the debt program going ahead, can you just throw a light on that?
- GRK Prasad:** This is for the project. See bulk of it is for the Zambian power project as well as cash of Rs. 90 million. So that is more operated as a limited recourse.

- Aagum Shah:** So the Rs. 4,000 crore debt is for the Zambian project?
- GRK Prasad:** Out of that it is roughly about Rs. 3,500 crores in the Zambian project.
- Aagum Shah:** Zambian project and the Rs. 90 million cash flow is the entire?
- GRK Prasad:** It is also in Zambian entity. So that will be operated on an independent basis there is no debt restructuring program or anything like that whereas Nava Bharat Ventures we have cash which is released. So we have if you look at it net debt as opposed to the cash and all will be about Rs. 200 crores.
- Aagum Shah:** Rs. 200 crores net debt?
- GRK Prasad:** Yes.
- Aagum Shah:** After considering the cash, and what is the gross debt?
- GRK Prasad:** That is right. About Rs. 400 crores.
- Aagum Shah:** What will be the gross debt?
- GRK Prasad:** About Rs. 360 crores.
- Moderator:** Thank you. We take the next question from the line of Vinod Malviya from Florintree Advisors. Please go ahead.
- Vinod Malviya:** Sir, just wanted to take your view on the long term strategy investment on the Zambia. So now maybe we will see the operation will also start from the Q3 and Q4 onwards for the Zambia operation. So and you are also planning to go ahead with your second phase once these plant stabilize and you see the cash flow coming in. So do you have any plan to get a strategic investor at the Maamba Collieries or at the Singapore subsidiary by selling some 10%, 15%, 20% stake to monetize the asset upfront and then invest that equity into the second phase of the plant.

Any such plan is there on the paper and do you have I mean made any concrete view on it?

GRK Prasad: Currently of course I have no developments to report but yes various options are being considered in terms of how to meet the requirement of expansion. One of the option definitely is monetization of the equity.

Vinod Malviya: Okay and but how is the interest coming from the let us say you would have private equities or some strategic investor, how is the interest coming out from such kind of players for the Zambia operations?

GRK Prasad: Generally, there has been a good interest though we have not pursued any lead to any definitive level or anything like that.

Vinod Malviya: Okay but going forward we will consider this plan I mean monetizing the Zambia operation at least up to some extent?

GRK Prasad: Yes, given the requirements for equity and expansion as such something like that.

Moderator: Thank you. That was the last question. I now hand the conference over to Mr. G. R. K. Prasad for his closing comments.

GRK Prasad: Thank you very much for an active participation in the call. I hope we have addressed all the queries adequately or if there are any questions or clarification that remains unanswered, please get back to us we would be happy to provide answers on a wider investor's platform. Thank you.

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

For NAVA BHARAT VENTURES LTD.

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Company Secretary
& Vice President



A handwritten signature in black ink, appearing to be "GRK Prasad".