



# “Nava Bharat Ventures Limited Q2 FY17 Earnings Conference Call”

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**Moderator:** Ladies and gentlemen, good day and welcome to the Nava Bharat Ventures Limited Q2 FY17 Earnings Conference Call. This conference call may contain forward-looking statements about the company which are based on the beliefs, opinions and expectations of the company as on the date of this call. These statements are not the guarantees 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 '\*' then '0' on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. GRK Prasad – Executive Director, Nava Bharat Ventures Limited. 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. P. J. V. Sarma – Director; Mr. M. N. Rao – VP-Finance; Mr. V.S.N. Raju – Company Secretary; my finance team 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 has also been filed with the stock exchanges as well as posted on our website.

I will start with the standalone business which comprises power business with power plants at Orissa, Telangana and Andhra Pradesh and other businesses in Telangana and Orissa and sugar business in Andhra Pradesh.

Let me start with an update on financial and operations in the case of standalone power business which is exclusive of Nava Bharat Energy India Limited. Standalone power business registered a revenue of Rs. 114.67 crores in Q2 of FY17 contributing to 36.1% to the total consolidated revenues. EBIT came in at Rs. 24.94 crores with EBIT margin of 21.75%. For H1 FY17 the revenue was Rs. 246.97 crores contributing to 38.64% to the total consolidated revenue and EBIT was Rs. 76 crores with a margin of 30.77%.

On the operational performance, the power plants in Telangana and AP were significantly impacted principally on account of grid curtailments aside from maintenance outages resulting in period lost for export of power to the extent of 44% for 114 megawatts, 60% for 20 megawatts and 50% for 150 megawatts units. The consequent reduced generation and lower PLF impacted the EBITDA which fell from 39% to 35% in respect of 114 megawatts, from 17% to negative 1.4% for 20 megawatts and from 40% to 27% for 150 megawatts.

The 90 megawatt captive power plant in Orissa has marginally improved performance because of higher captive consumption in the conversion arrangements during the period ended 30 September 2016 and EBITDA was maintained at 37% as in last year. However, the second 60

megawatt unit being dependent on merchant power rates on the exchange being lower than its variable cost, had to remain idle and the fixed cost had to be absorbed by the other power plants.

So coming to Nava Bharat Energy India Limited (NBEIL), which is our 100% subsidiary having 150 megawatts power plant operations in Telangana., NBEIL registered a revenue of Rs. 34.82 crores with net loss of Rs. 11.15 crores during Q2 FY17. The first half of current financial year the company clocked a revenue of Rs. 117.04 crores with a net profit of Rs. 2.2 crores.

Although the domestic power business including Nava Bharat Energy India Limited was able to maintain the fuel cost at around the same level as in last year, the fixed cost especially the interest cost for Nava Bharat Energy eroded the profitability from this business on account of reduced net generations. Since the merchant power rates obtained on the power exchange were at variable cost level or below for most of the time, the company and subsidiary were significantly limited to pursue alternative power market in the backdrop of grid curtailments.

Now moving on to the second business which is ferro alloys. Ferro alloys business registered revenue of Rs. 146.96 crores in Q2 of FY17 contributing to 46.27% to total consolidated revenue. There was a loss of Rs. 9.56 crores at EBIT level as compared to a loss of Rs.18.16 crores in Q2 of FY16. During half year of financial year 17 the revenue from ferro alloys business was Rs. 259.93 crores which is 40.67% of total consolidated revenue. On the EBIT front there was a loss of Rs. 8.15 crores.

Our Ferro Alloys business comprises manganese alloy and ferro chrome alloys. The ferro alloys business continued to underperform on account of volatility prevailing in manganese alloy space although the company produced and sold higher volumes of manganese alloys relative to previous year. The average realizations remained below the cost of production of manganese alloys with transfer price for power set at around Rs. 5.00 per unit, being recovered to the extent of Rs. 3.5 per unit only.

On the ferro chrome side of the business, the conversion arrangement for Tata Steel Limited remained buoyant during the quarter and half year ending September 30, 2016. This also ensured value addition for captive consumption at about Rs. 5.00 per unit as agreed with TSL during the period, though the company adopted transfer price of Rs. 5.70 per unit. The overall performance of the unit distinctly improved over the corresponding period of the previous year.

Moving on to sugar business, this performed better during half year of FY17 as compared to half year FY16. The increase was principally on account of better realizations for sugar. Sugar business has registered revenue of Rs. 36.34 crores in Q2 FY17 from Rs. 40.81 crores in Q2 FY16. This business though lower on a year-on-year basis actually got benefitted in terms of sugar realizations.



The EBIT came in about Rs. 5.51 crores with a margin of 15.16% for Q2 FY17 as against a loss of Rs. 1.9 crores in Q2 of FY16. For half year FY17 the revenue has been Rs. 71.82 crores contributing to 11.22% of total consolidated revenue with an EBITDA of Rs. 14.03 crores.

Now moving on to international business, which comprises of 300 megawatts power plant and coal mine, is located in Zambia. A 65% step-down subsidiary held through our Singapore subsidiary. The company has synchronized the two 150 megawatt units of 300 megawatts power plants with the Zambian grid. The first synchronization happened in October and the second synchronization happened in November. The Zambian company has completed the requisite tests to enable power billing for the first unit and is in the process to complete similar tests for second unit in November 2016 itself.

The power being so injected into the grid in the intervening phase of commissioning till the commercial operation date which is expected in December/ January is being billed by the Zambian company. The coal mining operations remained net positive for the half year ending 30 September 2016. Though there has been a delay in commissioning of the 300 megawatt power plant purely arising from the implementation activities on the ground, the Zambian company expects that the envisaged project cost of USD 843 million being adequate to meet all the costs up to December 2016. The Zambian power operations will contribute to the consolidated financials in Q4.

I would also like to give an update on the sale of stake in Nava Bharat Lao Energy Private Limited Singapore and the project company called Namphak Power Company Limited in Laos. Nava Bharat Singapore Private Limited effected sale of its 70% equity stake in the 150 megawatt hydropower project in Laos in favor of Chaleun Sekong Group Laos PDR and ceded majority control in the second quarter.

The consideration for the sale transaction is USD 10.15 million. Partial consideration and proportionate profits were considered in the financials for the second quarter. Consequently Nava Bharat Lao Energy Private Limited, Singapore being the intermediate holding company and Namphak Power Company Limited being the project company have ceased to be subsidiaries of Nava Bharat Singapore and thereby Nava Bharat Ventures Limited.

We would also like to draw your attention towards the impact of foreign currency adjustments on Other Income and Other Comprehensive Income. The company had to make mark-to-market adjustments for appreciation of INR over USD in respect of loans and receivables outstanding from its subsidiaries in the standalone accounts. The reduction in the Other Income on standalone basis is on account of this. Similarly, a related adjustment for restatement of financials of overseas companies resulted in negative Other Comprehensive Income in the consolidated financials.

This is all from our side. And now we are open the floor for question and answers.

**Moderator:** Thank you very much. We will now begin the question-and-answer session.

We have the first question from the line of Ravi Purohit from Securities Investment Private Limited. Please go ahead.

**Ravi Purohit:** Just couple of questions on this grid curtailment. Can you just share some more details as to I think in the last call you had mentioned that June quarter that for at least two months there was no offtake by the grid at all. And our output in this quarter is even lower than the June quarter. So does it mean that this entire quarter was a washout in terms of grid curtailment? And also how much would have been contributed by plant shutdown or whatever that maintenance you have mentioned in our press release?

**GRK Prasad:** Well, I think the curtailment as was expected during the last call continued beyond the two months. Basically it affected the 20 megawatt power plant in Dharmavaram and the 150 megawatt power plant held by the subsidiary. There the significant loss of production ensued because of the grid curtailment. There was a maintenance outage in the 150 megawatt power plant but that was for a brief period of two weeks.

**Ravi Purohit:** So how the situation now in the ground since we are already in this quarter half way through?

**GRK Prasad:** Well, the grid curtailment is a phenomenon which cannot be forecasted on a day-to-day base or anything like that because its day ahead schedule which the grid gives. To put to record the perspective, we expect slight improvement in Q3. But Q4 looks better. So we hope the significant grid curtailment to be one- off event.

**Ravi Purohit:** And on this Orissa power plant I think we had I think in the sense the ferro alloys business I think in the last quarter we had more or less broken even and we were looking that we were hoping that for the full year basis we will probably breakeven the ferro alloys division. So anything that if you could share some more thoughts on why did we almost lose like Rs. 10 crores in this quarter any exceptionals or onetimes or this is just the?

**GRK Prasad:** Well, I do not think the Orissa failed us really because whatever expectations we had as far as Orissa unit was concerned they came through. The surprise came in manganese alloys where the prices have fallen. See the situation is still volatile for manganese alloy front. But the good thing is that the prices for silico manganese moved up in tandem with the revision in manganese ore prices. So we definitely expect an improved performance in the second half. Though I think it will be progressive partly for Q3 and definitely for Q4.

**Ravi Purohit:** And power plant in Orissa which that 60 megawatt power plant which has been ideal for a while, any update on anything that has happened there? And also we have more capacity that some of it is getting used for ferro chrome. What happens to the remaining capacity there is that been utilized or that is also ideal?

- GRK Prasad:** Well, it all is a function of the IEX prices and IEX prices speak for themselves. Because we have no solution as far as start of the 60 megawatt unit and for using the balance surplus capacity in the other plants.
- Moderator:** Thank you. We have the next question from the line of Karthikeyan VK from Suyash Advisors. Please go ahead.
- Karthikeyan VK:** One, again continuing on the contracts power sale under contracts. Sir just wanted to clarify in the event that they do not offtake the power at 70% minimum guaranteed offtake. What exactly is built into the agreement just for the record?
- GRK Prasad:** The grid is liable to pay. It is not the grid actually the contract is with the trading company. They are liable to pay Rs. 1 per unit to us.
- Karthikeyan VK:** So you will get Rs. 1 from the utility, Rs. 1 from the trader, is that how to understand?
- GRK Prasad:** No, we have contracts with the trading company and the trading company in return has contracts with the utility. So it is a back-to-back contract. The contract postulates the penalty of Rs. 1 for the shortfall quantum of power below 70%.
- Karthikeyan VK:** Right so assuming everything is at 0% PLF operating I am just theoretically what would be the net payout to you sir edging through the contract would that be fixed charge plus Rs. 1 penalty?
- GRK Prasad:** No, this Rs. 1 penalty only.
- Karthikeyan VK:** And you are free to do third party sales of course?
- GRK Prasad:** Yes.
- Karthikeyan VK:** So you can realize say Rs. 1 plus Rs. 2.30 to Rs. 2.40 whatever that is the exchange sale, is that correct?
- GRK Prasad:** Exactly.
- Karthikeyan VK:** And any thoughts on how this linkage auction situation is evolving? Would you know whether there are mines which are being readied for auctions some thoughts on that?
- GRK Prasad:** It is still being actually underway. The Singareni Collieries with which we have linkages is engaging us on a auction process. But nothing has really happened.
- Karthikeyan VK:** Right, you have time till March?
- GRK Prasad:** Yes.

- Karthikeyan VK:** And just one question on the power sale in Zambia. Sir, you said that the commercial sales has started in the case of unit 1 but not in the case of unit 2, did I understand you correctly there?
- GRK Prasad:** Sale of power has started in the case of unit 1. I would not say commercial sale. This will be what is classified as pre-COD revenues.
- Karthikeyan VK:** So both the units you would see commercial sale from say December onwards?
- GRK Prasad:** Yes, from January onwards the commercial operations will be there.
- Moderator:** Thank you. The next question is from the line of Abhineet Anand from SBICAP Securities. Please go ahead.
- Abhineet Anand:** Sir, on the Zambian power plant that we are started billing so what is the tariff? Is it the same tariff or there is some changes there?
- GRK Prasad:** No, the tariff is... there are two tariffs. As far as unit 1 is concerned it is as the full tariff which is about USD 10 cents. And as far as unit 2 is concerned we are going through some tests actually. Till those tests are completed it will be infirm power which would fetch us variable costs plus some slight margin. But once those tests are done there also we will get full tariff. But typically all these revenues will be used for capitalization.
- Abhineet Anand:** That is fine from the capitalization perspective. What I am saying is that the tariff that we had in the PPA was something like USD 10 cents and plus certain things on the transmission as well, right?
- GRK Prasad:** And USD 10.89 cents tariff.
- Abhineet Anand:** So right now from unit 1 we are realizing USD 10.89 cents as the tariff, right?
- GRK Prasad:** That is right.
- Abhineet Anand:** And what is the typical receivable cycle there and because this we did it in October, right sir?
- GRK Prasad:** The typical cycle is about 60 days.
- Abhineet Anand:** So basically I wanted to understand that from the Zambian utility there have we started getting the money on 10.89 cents?
- GRK Prasad:** We have started billing only just now. So our first bills on 10.89 cents is still to come. But the other bills have come.
- Abhineet Anand:** Pardon, other bill meaning sir?

- GRK Prasad:** There was power before this also that both bills were paid for it.
- Abhineet Anand:** So is it right to assume that our 10.89 cents is type of largely intact and we would be getting earnings from that?
- GRK Prasad:** Yeah, of course. There is no concern there.
- Abhineet Anand:** Sir, secondly on the coal mining operations there can you say the 1H number in terms of sales, EBITDA and PAT?
- GRK Prasad:** I do not have the break up but it would suffice it to say the coal mining operations were net positive for the half year.
- Abhineet Anand:** So in terms of anything in terms of volumes and pricing for coal that can help us?
- GRK Prasad:** Volume is about 25,000 MT on an average the thing is what the sale volume for six months, so is about USD 150,000.
- Abhineet Anand:** And the pricing aspect?
- GRK Prasad:** The average price is around USD 38. It is the average of all products.
- Abhineet Anand:** Both the qualities of coal you are saying?
- GRK Prasad:** At the sense the high grade coal has several products. So all those put together average is about USD 38.
- Abhineet Anand:** And low grade any which way even not mining because you already had an inventory, right?
- GRK Prasad:** Correct, and low grade anyway is being used for power.
- Moderator:** Thank you. We have the next question from the line of Amit Golchha from HDFC Mutual Funds. Please go ahead.
- Amit Golchha:** Sir, first question is on the Zambian operations where this testing of the plant is it something which has come up post the operations or was it the case which was known to you earlier as well?
- GRK Prasad:** This is expected. This is a normal test only. The capacities have to be tested and proved to the satisfaction of the offtaker. That is the test we are talking about here for the unit 2. For the unit 1 it was already done. For the unit 2 it has to run for a specific number of days and hours that is underway.
- Amit Golchha:** Any specific issue if you want to highlight there in terms of the testing or is it normal as per?



- GRK Prasad:** It is like normal only. The project commissioning got delayed because of the supplier's delays and all. But otherwise everything is normal.
- Amit Golchha:** And though the press release mentioned that but just to confirm it. The cost will remain in the originally expected cost levels?
- GRK Prasad:** Yeah.
- Amit Golchha:** Because of the three, four months delay the cost will not increase?
- GRK Prasad:** No, actually this is quite adequate.
- Amit Golchha:** Is it after factoring the infirm power which you will sell in the capitalization or is it before that?
- GRK Prasad:** We are talking about before that.
- Amit Golchha:** So infirm power will reduce the cost further?
- GRK Prasad:** Marginally, yes. Necessarily we provide additional I would say contingency to meet any unforeseen cause. But I do not think that is the case here.
- Amit Golchha:** And sir, in Zambia are we seeing any price increase in coal because of the global coal prices increasing or is it largely?
- GRK Prasad:** Zambia has always been insulated in respect of coal from the rest of the world because of the landlocked situation.
- Amit Golchha:** So it is expected that there will be no movement in prices because of the global coal price movement?
- GRK Prasad:** No, it was not there earlier, it will not be there even now. For example earlier the reduction happened, it did not happen there.
- Amit Golchha:** But this high-grade coal which is there is of what quality sir?
- GRK Prasad:** It is about 6,000 kilo calories per kg. But being landlocked the price for the highest quality price is about USD 60. And it goes as low as USD 20 also for some the fines.
- Amit Golchha:** And sir, this 150 megawatt in Telangana power plants so what is the current level of PLFs there in last one, one-and-a-half month?
- GRK Prasad:** It is running at about 60%.

- Amit Golchha:** So it has improved significantly versus last year?
- GRK Prasad:** Yeah, it could go up in the next few months. But otherwise I think it is about 60%.
- Amit Golchha:** How are you seeing the demand in Telangana, sir? Off late South region demand has increased in last few days?
- GRK Prasad:** We expect that increase will be there yes, it has increased. I think the expectation is such demand will continue.
- Amit Golchha:** And this 60% which you are talking about is the average of 114 and 150 megawatts and 20 megawatts?
- GRK Prasad:** No, I am talking about 150 megawatts. 114 is about 70%. And it also has captive consumption.
- Amit Golchha:** Okay and 20 megawatt, sir?
- GRK Prasad:** 20 megawatt probably is much less. I think because that is coming from Andhra Pradesh. There are different states where the uptick is much more limited. It is currently at about 50%.
- Amit Golchha:** There we do not have this 70% take of your contract in 20 megawatt?
- GRK Prasad:** We have. See the contract with Telangana grid is for three plants; 114 megawatt, 150 megawatts and 20 megawatts. The contract is same. The price for AP will be lower because of inter state linkage part as well.
- Moderator:** Thank you. The next question is from the line of Bhavin Chheda from Enam Holdings. Please go ahead.
- Bhavin Chheda:** Two, three questions. First on the India thing. Sir, regarding this power issue of outages, so has this normalized or I just missed out on the opening remark what you said?
- GRK Prasad:** To some extent. I would not say completely normalized. To some extent it has come back. We expect from December onwards it should be normal.
- Bhavin Chheda:** So we should assume improving our quarterly run rate on the power generation and power sales volume both?
- GRK Prasad:** Yes.
- Bhavin Chheda:** Second one on the ferro alloys again made a PBIT loss. Q1 you had a profit and the prices are going up but the ore pricing are also going up. So both silico manganese and the ferro chrome prices now you have offset all the price increase is done by MOIL?

- GRK Prasad:** See ferro chrome is conversion arrangement. So there the price increase does not have any effect on us. Conversion is sustained at full volume. So that I mean the Orissa operations are pretty decent at this point. As far as Telangana operations are concerned is the function of price as well as manganese ore cost. Both moved up in last couple of months. So we expect at current prices we should achieve at least break-even if not make a small margin.
- Bhavin Chheda:** On a PBIT level?
- GRK Prasad:** Yes.
- Bhavin Chheda:** Because if I see your volumes of ferro chrome close to 15,500 MT that is the profitable operations because it is on conversion and silico manganese you did much higher volumes of 16,000 MT. And overall you have reported a loss so I am assuming this entire loss at silico manganese right because ferro chrome is a profitable operation?
- GRK Prasad:** The entire loss is on account of the silico manganese. Actually it is another point. See we are pricing the power for silico manganese at about Rs.5 per unit for captive consumption. Actually we were able to cover that price without much of effort. Last couple of quarters or rather three quarters what has been happening is the manganese alloy prices came down so the effective value addition for power also is coming down. At this point I think it is around Rs. 3.50 per unit.
- Bhavin Chheda:** And on the last part the Zambia thing two questions. So you said unit 1, your billing would start from January 1?
- GRK Prasad:** No, unit 1 got synchronized last month, October and it has also performed some tests which were necessary for it to bill the Zambian grid in full tariff. That was done. And unit 2 also got synchronized and it is in the process of completing that task now in the next two weeks. So we expect both the units to go on commercial operations from January because there are some more tests which are required for our lenders and other stakeholders. Those tests will be done in December. So we expect all the issues to be behind us by end of December to enable us to declare commercial operations from Q4.
- Bhavin Chheda:** So you will declare commercial operations of both together in January 2017 because my understanding was that unit 1 is through so actually you can report unit 1 in quarter 3, right?
- GRK Prasad:** Yeah but as far as accounting in commercial operations are concerned we have to do on both units together because of the common facilities and all. So whatever earnings that we do will be taken as Pre-COD revenues.
- Bhavin Chheda:** And sir, last one. What is the pending CAPEX in India and the Zambia if at all any number?

- GRK Prasad:** Zambia the CAPEX is more or less coming to an end. Now it is only creating the services Reserve Account and final payments to the contractors.
- Moderator:** Thank you. We have the next question from the line of Bhavesh Chauhan from IDBI Capital. Please go ahead.
- Bhavesh Chauhan:** My question was on other expenses. Can you explain what led to the sharp rise in other expenses to Rs. 74 crores vis-à-vis Rs. 43 crores in the first quarter of 2017?
- GRK Prasad:** This actually relates to the sale of Laos project whatever investment in progress the proportionate charge was reflected in the other expenses while the receipt was factored as an exceptional income.
- Bhavesh Chauhan:** So sir, can you quantify that how much it was?
- GRK Prasad:** See total consideration which was received from this transaction was about USD 10.15 million spread in two tranches. First one was received before September and subsequently the second tranche was received. For the Q2 the transaction I think resulted in about USD 600,000 net profit in Q2.
- Bhavesh Chauhan:** And on Zambian projects now that you are nearing commercial operations what should be the PLF we should be looking forward to in 4Q and say 1Q FY18?
- GRK Prasad:** Well, Q4 will be the first quarter. But in the FY18 that is the first full year of operations, our expectation is it would run at about 85%.
- Moderator:** Thank you. Next we have a follow up question from the line of Amit Golchha. Please go ahead.
- Amit Golchha:** Sir, the ferro alloys business you had talked about breaking even. So is it including the ferro chrome operations or is it on its own the ferro alloys business in Andhra and Telangana on its own?
- GRK Prasad:** It is as far as Telangana on its own. Not Orissa, Orissa is already breaking even. So there is no issue.
- Amit Golchha:** Okay so overall basis you should have report profits then because Orissa is already making profits?
- GRK Prasad:** Yeah, it is like recovering a part of the loss registered upto to the half year.
- Amit Golchha:** Up to the current quarter?

- GRK Prasad:** Yeah, first quarter and even second quarter were losses so we expect some recoveries to take place in the balance two quarters.
- Amit Golchha:** Sir, what are the current prices of ferro silico manganese and manganese ore?
- GRK Prasad:** Can we answer that offline?
- Amit Golchha:** No problem sir, okay. And this Laos which you mentioned this net profit in the quarter you have mentioned is?
- GRK Prasad:** You are talking about?
- Amit Golchha:** The net profit from the Laos sale in the quarter? There is an item which is Rs. 22 crores exceptional item which is sitting in the other income or exceptional income?
- GRK Prasad:** Correct.
- Amit Golchha:** So that Rs. 22 crores?
- GRK Prasad:** The income side is about Rs. 20 crores. The relevant expenditure is reflected in the other expenses.
- Amit Golchha:** Which is how much, sir?
- GRK Prasad:** Roughly about the same number. The net result is about USD 600,000.
- Amit Golchha:** USD 600,000?
- GRK Prasad:** Yes. That is a proportionate sale.
- Amit Golchha:** Okay so some amount you will receive in?
- GRK Prasad:** Yeah.
- Amit Golchha:** And sir, you had received some amount from Zambian or Singapore entity to the parent company Nava Bharat which was the loan given for funding Zambia?
- GRK Prasad:** Correct.
- Amit Golchha:** So that amount was expected to retire some of the debt which is there in the parent company standalone company?

- GRK Prasad:** Yeah, we have received about USD 6 million during the quarter from the Singapore subsidy to parent company. The amount of about USD 71.5 million remains there in Singapore. But Singapore also has cash of about USD 23 million.
- Moderator:** Thank you. The next is a follow up question from the line of Ravi Purohit from Securities Investment Private Limited. Please go ahead.
- Ravi Purohit:** My question was actually the same as Amit Golchha is basically how much cash do we have in the Singapore subsidiary as of now? And I think you have already mentioned that USD 6 million has come to us. So one is that and second is can you also just ex of Zambia how much gross debt do we have now and how much of net debt we have as of the September ending quarter?
- M N Rao:** Yeah, we have USD 23 million cash in Nava Bharat Singapore as of now and the total debt as of now is Rs. 4,170 crores at consolidated level.
- Ravi Purohit:** No, I am asking about ex of Zambia?
- M N Rao:** Excluding Zambia it is Rs. 600 crores that is Rs. 350 crores in Nava Bharat Ventures and Rs. 250 crores in Nava Bharat Energy.
- Ravi Purohit:** So there is no debt on Nava Bharat Singapore now, right?
- M N Rao:** As of now there is no outside debt on Nava Bharat Singapore other than leverage against treasury investments.
- Ravi Purohit:** That is essentially the loan given from Nava Bharat Ventures to Nava Bharat Singapore?
- M N Rao:** Exactly.
- Ravi Purohit:** Yeah, so that debt gets cancelled out against this, so the cash that Singapore subsidiary has is about USD 23 million you said?
- M N Rao:** Yes, you are correct.
- Ravi Purohit:** And much cash does India operations have, NBEIL and NBV?
- M N Rao:** In NBEIL and NBV there is not much cash excepting normal treasury funds
- Ravi Purohit:** So essentially this USD 23 million is what the overall cash balances between these three companies?
- M N Rao:** Yes.

- Ravi Purohit:** Any reason why we are holding cash in Singapore subsidiary, is there any investment requirement that company envisages?
- M N Rao:** No, there is no investment requirement as such. We are putting these funds in treasury operations considering the USD-INR price conversion. So at a favorable price we will be bringing those funds from there and in the meanwhile they have been invested as short-term investments.
- Moderator:** Thank you. The next question is from the line of Vinod Malviya from Florintree Advisors. Please go ahead.
- Vinod Malviya:** My question is on the penalty which you had talked about the Rs. 1 penalty which is the trader is supposed to pay you if there is we do not have the 70% uptick. So have you accounted this revenue in your current quarter? And there were some in the previous quarter also if I remember some Rs. 25 odd crores were pending. So did you really receive any of these amounts from the SEB or a trader?
- M N Rao:** No, we have not accounted any of this penalty whatever is receivable. This we will be accounted on receipt basis only.
- Vinod Malviya:** But have you started negotiating for this with the traders or it will take longer time?
- M N Rao:** Yeah, that is being done once the contract period ends we will initiate the discussion.
- Vinod Malviya:** And this is the entire liability of the trader or it is the liability of the SEBs?
- M N Rao:** No, for us it is from the trader, trader will claim it back-to-back from the Discoms.
- Vinod Malviya:** And lastly, on the when we met somewhere in June-July we were discussing about proper restructuring of all the domestic operations which included with ferro alloy and the domestic power business and the sugar business. Has there been any concrete plan about what would be a long-term strategy underlying to the entire domestic operations?
- M N Rao:** That process is being done. It is on.
- Vinod Malviya:** So far we have not taken any concrete decision on that?
- M N Rao:** Concrete decision has not yet come.
- Moderator:** Thank you. Next we have a follow up question from the line of Amit Golchha from HDFC Mutual Funds. Please go ahead.
- Amit Golchha:** Sir, if I look at the balance sheet, the consolidated balance sheet there is a cash of about Rs. 418 crores and there is current investments of about Rs. 433 crores. So all put together it is

about USD 120 million to USD 130 million cash which is there of which you are saying USD 23 million in Singapore. Where is the balance cash sitting?

**M N Rao:** Balance is of MCL because MCL is also having some cash which they have already drawn from the lenders. That is available for capital expenditure in MCL.

**Amit Golchha:** But sir, if I look at the CWIP is roughly about Rs. 4,000 crores. So you mean to say that this is the amount which is needs to be paid to vendors on accrual basis?

**GRK Prasad:** I think you may have to rethink the balance sheet numbers in terms of capitalization. And whatever cash numbers that are being reported are pertaining to loan drawn but being spent as far as MCL is concerned. While the rest of the cash which has been talked about which USD 23 million in Singapore and balance amount is in NBV balance sheet..

**Amit Golchha:** And sir, so this debt transaction which is there from Nava Bharat parent to Singapore to Zambia?

**GRK Prasad:** There is no debt to Zambia.

**Amit Golchha:** From Singapore to Zambia?

**GRK Prasad:** Which pertains to Singapore.

**Amit Golchha:** And Singapore has not given then to Zambia?

**GRK Prasad:** No, that was there quite some time back which got to repaid .

**Amit Golchha:** So the balance so USD 71 million is from parent to Singapore and out of that USD 45 million has been invested at equity and balance was given as loan which has come back, is that correct understanding?

**GRK Prasad:** No, the USD 71 million is net debt which is now currently outstanding between Nava Bharat Ventures and Singapore entity whereas the Singapore entity put its share of base equity in the form of both equity and shareholders' loan in MCL which is much more. It is about USD 168 million.

**Amit Golchha:** So whatever loan was to come back from Zambia to Singapore has already come back?

**GRK Prasad:** Yeah, that was a bridge loan that was already completely wound up.

**Amit Golchha:** And sir, lastly on the coal cost and coal supplies will we have any impact of the global coal prices increased in recent times and where all we have procuring the price from?



- GRK Prasad:** As far as domestic operations are concerned we are not using the imported coal anymore except very little for 20 megawatts. But the increase in coal prices probably will have a very small marginal effect as far as we are concerned.
- Amit Golchha:** You are not seeing e-auction price increases in last few days?
- GRK Prasad:** Not in tandem with imported prices. The e-auction prices is always been a function of linkage prices but not in tandem with the imported prices.
- Moderator:** Thank you. Due to time constraints, we will be able take one last question. The last question is from the line of Bhavesh Chauhan from IDBI Capital. Please go ahead.
- Bhavesh Chauhan:** Sir, my question is on vision of the company for the next three years. Now that you are nearing the completion of the Zambian power plant and your CAPEX cycle is about to complete. How should we look at your company I mean what does management foresee in the coming two, three years whether they will be generating free cash flows and prepaying of debt or any other CAPEX plan lined up?
- GRK Prasad:** Well, I would prefer to answer that later. Because we are just about having the Zambian project commissioned and we expect the inflows to come in very soon. Once all other things are established the deployment there of has to be worked out. Parallely of course we are working on various exercises in terms of domestic operations as well as the overseas operations. But on that we will surely come back to you with more details.
- Bhavesh Chauhan:** And also one last question. If you were to repatriate cash from Zambian operations, would there be any tax that will be paid or they are free to repatriate everything to India operations in case you want to pay higher dividends or something like that?
- GRK Prasad:** There is no restriction on repatriation from Zambia. There is a withholding tax on dividends. For some period it is also exempt. Beyond that I think except the Withholding tax impact there is no other issues.
- Moderator:** Thank you. That was the last question, ladies and gentlemen. I would now like to hand the conference back to Mr. GRK Prasad for closing comments.
- GRK Prasad:** Thank you very much for your participation in the call. I hope we have addressed all the queries and questions. If you have any questions or clarification that remained unanswered, please get back to us or our Investor Relations Advisors, SGA and we will be happy to provide answers in a wider investors platform. Thank you.
- Moderator:** Thank you. With this we conclude the conference call. Thank you for joining us, ladies and gentlemen. You may now disconnect your lines.



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