



Q3 & 9M FY2012 Investors/Analysts Conference Call Transcript February 07, 2012

Moderator

Ladies and gentlemen, good day, and welcome to Nava Bharat Ventures Limited Q3 & 9MFY12 Results Conference Call. As a reminder, for the duration of this conference, all participants' lines will be in the listen- only mode, and there will be an opportunity to you to ask questions at the end of today's presentation. Should you need assistance during the conference call, please signal an operator by pressing "*" and then "0" on your touch-tone telephone. Please note that this conference is being recorded. At this time, I would like to hand the conference over to Mr. Siddharth Rangnekar from CDR India. Thank you. And over to you sir.

Siddharth Rangnekar Good morning, everyone, and thank you for joining us on Nava Bharat Ventures Limited Q3 & 9M FY12 conference call. We have with us today senior members of the Nava Bharat management team, including Mr. G.R.K. Prasad- Executive Director; Mr. P.J.V. Sarma, Director; Mr. M.N. Rao, GM (Finance) ; and Mr. Hari Babu, CFO. The call will start as usual with Mr. Prasad making opening remarks and then we shall have an opportunity for the participants to pose queries. I would like to call Mr. Prasad to make his remarks.

G.R.K. Prasad

Thank you, Siddharth, Good morning, everyone, and a very warm welcome to all of you. I trust you must have had a chance to review our quarterly results. I would like to start with an update on our international business, followed by domestic business.

International business corresponds mainly on Zambia. I'm glad to announce that the coal mine operations are proceeding in right earnest in Zambia. The coal mine, as you all know, was not operated for considerable time before we took over. Initial development phase of bench formation and removal of soft and hard over burden, internal infrastructure build up like mine roads, etc. are nearing completion. The company has commenced extraction of thermal grade coal, which is obtained in the upper seams and compaction thereof in the initial phase. About 120,000 tonnes of thermal grade coal has since been extracted and compacted for use by the power Plant later and this is going to be an ongoing operation. The coal mine has waste coal and coal fines from the earlier operations with which it plans to indulge in seed marketing to create market awareness for the high grade coal, which will be available from April 2012 as per the present timelines. Meanwhile, the company has also commissioned a detailed logistics solution for the movement of coal from the mine to the users in Zambia and elsewhere, which is well underway.

As you all know, the CHPP was scheduled for commissioning earlier, but the same was delayed due to heavy rains pushing the commissioning of this plant to March 2012. The company expects to ramp up the wash coal sale initially from 30,000 tons per month from April 2012 to about 50,000 tons per month in FY 2013.

As you all know, the company has been pursuing a 300 MW mine mouth power project in Zambia. Most of the key project documents are executed by the company and the company is finalizing the detailed EPC contract with SEPCO for execution very shortly. The company's request for 'Environmental Clearance' for the coal mine and 600 MW Power Plant, which includes incidentally Phase II, is under active consideration of Zambian Environmental Management Agency called ZEMA. Once the ZEMA issues the approval, the EPC contractor will proceed with physical work at the site with the targeted implementation period of 36 months.

In respect of Hydel power project in Laos, Kobe Green Power Company limited, a detailed feasibility study on this project corroborates capacity of about at 98 MW. The company will be pursuing Environmental Impact Assessment (EIA) study and detailed hydrology study in due course while the project concession agreement, the power sale arrangement with EDL(State Utility of Government of Laos) , etc. will be simultaneously pursued.

The Indonesian coal mine issue is still to be resolved fully by the new set of buyers with various authorities. One change is pricing of coal which however, be guided by Coal Price Index in Indonesia, which is the deviation from our earlier agreement, though the relative benefit will be realized through the economic interests which the Singapore subsidiary continues to have on the coal mine.

The Agri initiative in Africa is at a very nascent stage at this point of time. Considering the development stage which involves feasibility of various crops and local value additions, there is nothing much to share at this point of time.

I would like to dwell on the domestic businesses. The power business seems to be coming off some troubled times. We have seen that merchant power rates have improved and rates seem to sustain principally on account of demand and constraints of transmission corridor as well,

It is also gratifying to note that utilities are now adopting tariff revisions and we have seen increases across several states in the country, which is likely to give a lot of sustenance to the merchant power markets. Another happy development is that 64 MW power Plant in Odisha has got the environmental clearance by the Government of India. Now, we need to obtain consent for operations from State Pollution Control Board, followed by clearance from the utilities synchronization of the power plant which are expected to be done in the next few months, and we expect to have this unit contributing to the volume in FY2013.

One dampening development is that the Odisha State and the State power utility invoked restrictions on open access sale without actually providing a viable alternative rate per consumption within the sale., which affected the sale of power from our existing 64 MW power Plant The matter has been taken up with OERC and we expect to have some favorable response soon. Till then it is necessary that we need to curtail our generation, so the 64 MW, which ran partially in December 2011, has been stopped from January 2012. We hope that this issue will be resolved in this month and probably will resume operations immediately thereafter.

The Ferro Alloy business, as you all might have seen, contributed decently to the profitability of the company in the last quarter. The Silico Manganese continues to be contributing to the profitability while the conversion of Ferro Chrome in Odisha unit changed the profile of that unit, which we expect will sustain the profitability going forward. This is one business which will be again used as an hedge in against volatility in power business. We could see in merchant power rate and typically could switch over between capital use and merchant sale. One stance that we could share at this point of time is that the AP unit, which was contributing handsomely for the Ferro Alloy production is now going at a lower production with higher power rates power becoming attractive. The Sugar business volumes have been on a healthy level. The outlook is comfortable given paucity of sugar in the international market. Though the cane volumes are still to be increased substantially to reach a comfortable zone, but with higher recovery and rates being sustained, we expect that this unit will deliver a healthy performance in this year.

With that I have covered most of the important topics and would like to request the moderator to open the session for the question-and-answers.

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| Moderator | We have the first question from the line of Vineet Maloo from Birla Sun Life Asset Management. Please go ahead. |
| Vineet Maloo | Just wanted to understand the 64 MW, which we were already operating, you did explain that Odisha government has disallowed open access sales from here, right? |
| G.R.K. Prasad | You are correct. |
| Vineet Maloo | But you can still sell to the grid. |
| G.R.K. Prasad | Yes. The problem is the Grid is not assuring a viable tariff pending the OERC's approval thereon. |
| Vineet Maloo | So how much is the Grid offering? |
| G.R.K. Prasad | Grid is talking about Rs. 2.75/ Unit at this point of time. |
| Vineet Maloo | I have an impression that this rate was getting increased to Rs. 3.10/ unit or something? |

G.R.K. Prasad That was being settled at those rates, but now they are talking about Rs. 2.75/ unit;

Vineet Maloo Within AP how is the coal supply situation? How are we affected because of this Singareni issue in last quarter? And how will it change going forward?

G.R.K. Prasad Last quarter for a few days, yes. But now the situation has become normal. There is no problem.

Vineet Maloo So because for a few days, we did not face any problem because we would have some inventory right?

G.R.K. Prasad We did have. If you see in the last quarter there was a drop in volumes, one, on account of the Singareni affecting the coal supply and second, the effect of maintenance of 50 MW turbine.

The spillover of 50 MW turbine from Q2 to Q3 as well, and the disruption on account of the Telangana agitation which reduced the volumes in AP.

Vineet Maloo Okay, but purely in terms of cost especially in coal, the impact was not significant, was it?

G.R.K. Prasad We had slight increase because of use of imported coal for a while, but that had a minimal effect.

Vineet Maloo Okay, at Zambia, you talked about coal ramp-up schedule from April 2012 to March 2013. Could you just repeat because I missed that part?

G.R.K. Prasad Yes, the coal washery has the capacity to run at about 800,000 to 1 million tons per annum on a normative scale. We want to ramp it up slowly because the market is evolving. So we start with 30,000 tons a month from April onwards for a few months and then probably ramp it up to about 50,000 tons and see how it goes. That is the plan at this point of time. For financial year 2013, we might have probably 400,000 to 500,000 tons of coal sales.

Moderator The next question is from the line of Dheeraj Devata from ICICI Prudential Asset Management, please go ahead.

Dheeraj Devata I wanted some more details on the new 64 MW plant. I was under an impression that it was due to get commissioned last quarter and I need an update on that part.

M.N. Rao: We have already received the MoEF clearance from Government of India and are expecting the pollution clearance from Government of Odisha and grid synchronization for the same. We expect to commence the production thereafter.

Dheeraj Devata: So there was an issue with these MoEF clearances, because it was already received in the last quarter?

M.N. Rao: Recently, we have received MoEF clearance from the Central Government and we need to have the local clearance from Pollution Control department of Odisha and the grid synchronization. These two are awaited.

Dheeraj Devata: We cannot expect any volumes from this plant in this quarter, so it will be coming up from the next fiscal year itself?

M.N. Rao: it is better we assume from FY13.

Dheeraj Devata: I think this is a more realistic date from the next fiscal, because this has been pending for quite some time?

M.N. Rao: I think from FY13 onwards we can see the production.

Dheeraj Devata: Could you also suggest the direction of merchant strategy in the next quarter or so?

P.J.V. Sarma: Merchant power rates definitely, as Mr .Prasad has already explained are in an upward swing and from January to May 2012, we have signed at a rate in excess of Rs. 4.25 to Rs. 4.50/ unit. We expect it to be in the range of Rs. 4.25 to Rs. 4.50/ unit.

Moderator: The next question is from the line of Sanjiv Panda from Sharekhan, please go ahead.

Sanjiv Panda: If you can just throw guidance on the realization for Silico Manganese and Ferro Chrome?

P.J.V. Sarma: Silico Manganese realizations were something around Rs.55,000 per tonne, whereas the Ferro Chrome is concerned, we are doing conversion for Tata Steel on a per tonne basis. As far as Odisha is concerned, the Ferro Chrome conversion is at Rs. 27000 per tonne.

Sanjiv Panda: Just to link with this, we have seen the inter-segmental power transfer at a very high, significant jump this time, and that indicates a very high rate. Does it mean because of this transfer we are charging to the conversion?

P.J.V. Sarma: You are right.

Sanjiv Panda: Roughly around 4000-odd units of power you would be using for Ferro Chrome conversion?

M.N. Rao: Yes, you are correct.

Sanjiv Panda: Looking at the raw material scenario because of the Singareni Collieries what has happened and also there is a concern in the market that Government may put some kind of impediment for power producers who are not regulated, supplying or giving linkage. How do you see the scenario shaping up? If you just give us some light, how much is the current fuel cost per unit to us on a blended basis and blended rate in percentage and the sources of the same?

P.J.V. Sarma: We don't have the full details here with us but if you look at it even the last quarter, or the current quarter, the linkage coal is around Rs. 1865, whereas the washery rejects is going around Rs. 825 to 900 and with a little bit of imported coal component. I think if you look at the overall blended cost, it comes to around Rs. 2.08 to 2.09 per unit. I am talking about the weighted average cost of coal. If you see our unit has been very, very close to Singareni Collieries, in A.P; in Odisha also; our plant is close to the washeries. So the washery rejects become a very important source.

On your question about the impact if at all Singareni is going to put some impediments in terms of supplying linkage coal, the impact will be minimal on Nava Bharat, as we have got a good amount of washery rejects availability.

Sanjiv Panda: You mean to say that will not come under the regulated or any kind of control even if the Government will try to push some kind of control.

P.J.V. Sarma: Right.

Sanjiv Panda: Would you like to give similar kind of trend for Ferro Alloy production in the next quarter?

P.J.V. Sarma: As we said, may be in the next a couple of months, we may divert more power to Merchant power than Ferro Alloys, because as I told we always work out on a contribution per unit being produced. If we are able to get a better realization by selling in Merchant power we will divert the power to Ferro Alloys. I think in all likelihood, in a couple of months, we will divert more power for Merchant power, probably we may not expect similar kind of production levels as in Ferro Alloy in current quarter in the next couple of quarters to come. It keeps changing dynamically.

Sanjiv Panda: I appreciate those dynamics that we have been playing for a couple of times. I just missed the Indonesia update that you gave; is that settlement is done, could you please repeat again?

P.J.V. Sarma: Basically, as we mentioned, 80% controlling interest is to be transferred and we would retain 20% of the economic interest with a coal off take of about one million tons per annum

Sanjiv Panda: Will it be in Financial Year 2013 or end of the year 2013?

P.J.V. Sarma: No, but sometime in FY13, not Calendar 2013.

Sanjiv Panda: And what is our debt and cash position for nine months ending?

M.N. Rao: The Cash balance is around Rs. 555 crore. Around Rs. 100 crore is our outstanding debt.

Sanjiv Panda: Do we have any MAT credit remaining?

M.N. Rao: MAT credit available is Rs. 150 crore.

Moderator: The next question is from the line of Mohit Kumar from Antique Stock Broking Limited, please go ahead.

Mohit Kumar This is regarding Paloncha project. Can you update us on the progress and how it is going and what is our strategy for selling the power from the Paloncha power Plant?

P.J.V. Sarma: I think, the way it is progressing, by the end of the current calendar year it will be completed. We can expect production to come. We will get the full benefit of that from FY 13 onwards.

Mohit Kumar: Have you thought of any strategy of selling power?

P J V Sarma Yes the present Merchant power rates are quite attractive. I don't think there is a problem on that. The minimum of rate which is fixed and of course we can't 100% say what will be the Merchant power prices, but at Rs. 4.25, Rs, 4.50/ unit average price net, is quite comfortable.

Mohit Kumar Another clarification, are we charging Rs. 4.80 per unit for Ferro Chrome conversion power?

M.N. Rao: Yes, we are charging Rs. 4.80 per unit

Mohit Kumar This is Rs. 4.80 per unit plus Rs. 27,000 per tonne, right?

M.N. Rao: No, Rs. 27,000 includes the transfer price for power to be charged at Rs. 4.80 per unit.

Moderator: The next question is from the line of Amit Golecha from Emkay Global, please go ahead.

Amit Golchha: You said that in Odisha, the grid price is about Rs. 2.75 per unit at which you can sell and since you decided not to supply to grid, they were forced outages, that is what I understand, is it correct?

M.N. Rao: Yes, you are correct.

Amit Golchha : If I look at your fuel cost which you are saying is about Rs. 2.10 per unit around that level, still you would have made about 65 paisa kind of a contribution, if you would have sold at Rs. 2.75 paisa.

M.N. Rao: Rs. 2.10/ unit is only fuel cost, other cost will be there, if you take everything into consideration, cost of generation in Odisha will be around Rs. 3/ unit.

Amit Golchha: Basically other cost is a fixed cost, interest depreciation or O&M would be fixed cost. So in any case if you don't generate also that cost would be there.

M.N. Rao: If we will go on supplying at Rs. 2.75 paisa per unit so there will not be any pressure on government to increase the Section 11 cost, that is why we have kept the unit closed.

P.J.V.Sarma What we mentioned is Rs. 2.08 per unit and it is weighted average cost for the company as a whole and the costs are comparatively less in A.P. and slightly more in Odisha. So it won't be Rs. 2.08 per unit in Odisha. And when we include, it could be slightly higher.

But when you include all the cost it is more than the price that has been given at Rs. 2.75 per unit and which offered by GRIDCO of Odisha. So that is the reason why we have just put on hold the operation of the plant. Once that OERC order comes favorable, we will re start the unit.

As Mr. Rao was mentioning we want to is just bring it to the notice of the Odisha government that there are two states which have also imposed the Section 11 i.e Tamil Nadu and Karnataka; Tamil Nadu offered is Rs. 5.05 per unit and the rate of Karnataka which recently announced is Rs. 5.30 per unit.

So Rs. 5.1 per unit of Tamil Nadu and Rs. 5.3 per unit of Karnataka, are the rates which are announced by these two state governments. I think Rs. 2.75 per unit looks absolutely ridiculous, which is much below the cost of production of many of the units. Not Nava Bharat alone, many companies in Odisha, who have been asked to supply the power under section 11, have refused.

Amit Golchha: Right, so basically, OERC order would be on the Section 11 and not on allowing you open excess or the price of the power?

P.J.V.Sarma When section 11 is promulgated by the Government, open access will not be granted.

I think around Rs. 4.00 per unit could be probably the price which we are expecting. OERC will also do a comparison with other Section 11 tariffs of other states. They may not offer Rs. 5.10 and Rs. 5.30 per unit like Karnataka and Tamil Nadu, but we expect at least Rs. 4.00 minimum

Amit Golchha: Second thing is that if I calculate for the last two quarters, the cost of generation basically what I am doing is, I am just reducing or subtracting the power EBIT from your power revenues. So what I get is the overall cost for the power segment, which is not including interest, now that cost is Rs. 3.07 per unit for this quarter, it was Rs. 3.01 per unit for last quarter. So in last two quarters, it has basically increased from Rs. 2.50 per unit paisa to Rs. 3.00 per unit plus levels.

P.J.V.Sarma Yes, I think because the fuel cost has gone up. There is increase in fuel cost, so because of the Telangana agitation there is disruption of supply also, obviously, the price has gone up.

Amit Golchha: What I want to understand is that is this increase only because of your imported coal blending or is it also because for the domestic coal you are paying higher? Because if I look at Q3FY11 and Q3FY12, the cost is almost up by Re. 1, so Rs. 2.08 per unit which was the cost in Q3FY11, is at now Rs. 3.08.

- P.J.V.Sarma** Yes, that is the reason why you will see profitability also has come down. Let me give one more very interesting analysis now. If you see the increases in the cost of the fuel in the last nine months to one year, and the increases in the merchant power realization, there is a lag of at least 6-9 months to a year.
- Now whatever major increase that was to happen in the coal, in our opinion, it has happened, but if you see the corresponding increase in the merchant power realization, there is a clear cut gap of around nine months. Obviously, last couple of months onwards the cycle has started moving up. Now, even Section 11 prices are starting at about Rs. 5.10 per unit. So you can see the clear upward trend, but definitely this is included in the fuel cost. So the base value will always be maintained because are closer to the washery and washery rejects is just being a part of our fuel mix, companies like us probably stand to gain.
- Amit Golchha :** Can you give us the mix of the coal? How much was the washery rejects and how much was imported coal in this quarter?
- P.J.V.Sarma** Out of 1,77,000 total consumption and about 1,36,000 is linkage coal. About 20% is washery reject, 75% is linkage coal and about 5% is the imported coal. That has been our trend always. If you see last year also it was approximately 65% to 70% and the general trend is 70% is linkage coal and around 20-25% is washery reject, around 5% either e-auction or imported.
- Amit Golchha:** There was a news article which talked about that the power prices in Andhra Pradesh for Ferro Alloys are likely to be increased. So I just wanted to understand that since you have your captive power and other people who are producing Ferro Alloys in A.P. might not have captive power. So they might be impacted and their cost of generation will go up. Will it benefit us? Is there any significant capacities of Ferro Alloys which are concentrated in AP?
- P.J.V.Sarma** You answered the question yourself. In a sense that the other manufacturers who are purely depending upon Ferro Alloys sales will definitely be impacted if they don't have their captive power unit, they are going to depend upon grid power. Grid power has gone up across the country for all the units. So they will definitely be impacted and as far as we are concerned we have captive power ourselves. So we have the advantage of supplying the power at a reasonable price to Ferro Alloys, which is point number one. Second point, as we stated earlier, we have got the flexibility of using the power for Ferro Alloys. For every unit of power produced we will calculate what is the contribution if I sell it in the merchant power or what is the contribution if I give it to Ferro Alloys sales? If you see all the contribution per unit and then supply and if I am able to get a better generation we will shift over to merchant power.
- Amit Golchha:** What is the current rate of power price or current grid price for Ferro Alloy production in A.P.?
- M.N. Rao:** Rs. 2.74 per unit in A.P.

Amit Golchha: And I think they are talking about some Rs. 4 plus levels now.

P.J.V. Sarma: It will happen, now because there is going to be a new power pricing. A.P. has revised the prices for Ferro Alloy units. So, as per the transfer pricing policy, we can't transfer at a rate less than the price. Price is going to be slightly more than Rs.4 per unit.

Amit Golchha : So For captive power you will also have to charge same price, for transfer from power to Ferro Alloys?

P.J.V. Sarma: You are correct.

G.R.K. Prasad The new price from April is likely to be around Rs. 4.60 unit in A.P. and that will be the transfer price for Ferro Alloys as well.

Amit Golchha: I just want to understand that how much of the production of Ferro Alloys is concentrated in A.P. let's say out of total country's production? Because this can be a major positive trigger for us because we have captive power?

G.R.K. Prasad It is a positive development but I don't think we can put a number to percentage production in A.P. because of lot of production in AP is from a new production facility that is coming up. So, if you ask me I think it contributes about probably 20-25% of the total production in the country going forward.

Moderator: The next question is from the line of V K Kartikeyan here from Suyash Advisors, please go ahead.

V K Kartikeyan: For the power and fuel component in A.P. and Odisha I get that the blended cost is Rs. 2.10 per unit. But if you can tell me what was it for nine months in A.P. separately and Odisha separately, if you have that handy?

M.N. Rao: We will share that with you offline.

V K Kartikeyan: Any indication of what kind of prices you can realize in Zambia currently for the high grade coal and what are the current cost estimates?

G.R.K. Prasad Yes, still we are maintaining \$65 per ton for calorific value of about 6,300.

V K Kartikeyan: And cost ?

G.R.K. Prasad Cost will be about \$48 per ton.

V K Kartikeyan: And this is not after allocating cost of the low grade coal?

G.R.K. Prasad This is full cost which I include the cost for extraction for the low grade coal also

V K Kartikeyan: Will you make a separate decision on how to allocate the cost?

G.R.K. Prasad: Yes, the cost will be allocated definitely for the thermal grade coal as for the volumes that are extracted we will create an inventory as per that.

Moderator: The next question is from the line of Nikhil S. From IDFC Securities, please go ahead.

Nikhil Salvi: My question is regarding the 64 MW unit which is about to come up, which has got the MoEF clearance.

G.R.K. Prasad: Correct.

Nikhil Salvi: Okay, what I am asking is, is there some extra cost that will be incurred now because of the delay both in terms of actual commissioning process and as well as from the servicing of debt.

G.R.K. Prasad: See overall project cost for this unit was Rs. 232 crore. We want to actually complete with Rs. 215 crore including that is spent as on date.

Nikhil Salvi: How much would be the debt that will be added on books after this plant is commissioned?

M.N. Rao: We have in fact drawn as of now only around Rs. 55 crore of debt and we do not envisage any further addition of debt. It's already there on the books as on date.

Moderator: The next question is from the line of Bharanidhar Vijayakumar from Spark Capital, please go ahead.

Bharanidhar Vijayakumar: PLF for this quarter has been less basically because we didn't produce 64 MW from Odisha, is that right?

M.N. Rao: Yes, it is exactly not only for that. During this quarter 114 MW power Plant in AP, we could only operate at 50% capacity for almost 45 days due to the disturbances in Singareni, our 20 MW power Plant for the entire quarter in Dharmavaram was not operative. And the 64 MW power Plant in Odisha, we have operated at only 50% capacity during December 2011 due to imposition of Section 11. These are the main reasons for having low PLF during this quarter.

Bharanidhar Vijayakumar: Again PLF for the next quarter will be better for the A.P. plant, is that right?

M.N. Rao: Yes, it will be better in A.P. plants during the next quarter onwards.

Bharanidhar Vijayakumar: Okay and since we are going to OERC for the tariff on the grid for Odisha Plant, 64 MW still be having low PLF, is that right?

M.N. Rao: Yes, depending upon the results of that OERC, it may be better.

Bharanidhar Vijayakumar: Okay and since this is sub-judice, this grid tariff, will this affect the tariff for the new 64 MW coming up in Odisha? Will open access be denied for that also?

M.N. Rao: The new 64 MW is not a CPP and it is an IPP, we expect open access to be granted for that.

Bharanidhar Vijayakumar: And this Rs. 2.75 per unit rate which Odisha grid is telling us to pay, what was it before and why did we find it unviable suddenly? I was presuming it was a same before also for the grid tariff?

G.R.K. Prasad: If you look at a composite factor, because earlier we were supplying 20 MW only to this grid and the balance was being exported, so there was a kind of cost rationalization between the two revenue streams.

Bharanidhar Vijayakumar: And this also leads to another question. I remember last quarter, you mentioned for Tata Steel the power would be given from the Odisha plant. Now it's given from the A.P. plant, is it?

G.R.K. Prasad: No, we have 2 units in Odisha; one is 30 MW unit which is dedicated for the conversion of Ferro Chrome for Tata and the 64 MW which was used for selling power out. Including that power which is being sold to the GRIDCO and consumption for Tata Steel continues to happen from the 30 MW plant

Bharanidhar Vijayakumar: So the power to Tata Steel is from the 30 MW from Odisha, that 's right?

G.R.K. Prasad: Right.

Bharanidhar Vijayakumar: You mentioned about 70% coal for the quarter has been from the linkage. Will there be any component of e-auction coal in that?

P.J.V. Sarma: As we mentioned sometime back it is around 5-10% maximum. Actually last quarter, it's only 5%, each from e-auction and imports and 20% is from washery rejects. That has been our trend. Maybe a few percentage points here and there, but broadly that has been the trend, and it will be also like that.

Bharanidhar Vijayakumar: The merchant rates that we will be contracted for 4Q, will that be around Rs. 4.2 per unit?

P.J.V. Sarma: From now till May-June, it is about Rs. 4.50 per unit.

Bharanidhar Vijayakumar: On the Zambia part, in the update, you mentioned 120,000 metric tons of thermal grid coal has been extracted. So is this the one which is going to be sold in the fourth quarter?

P.J.V. Sarma: No, as we just mentioned, 120,000 tons is getting compacted and the mining operations have commenced, as Mr. Prasad has mentioned it consists of two-three important activities.

From the mines, if some production of low grade coal happens that has to be taken out and compacted. 120,000 tons is the low grade or thermal coal, which has been mined out and then compacted and stored. Like this 120,000 tons keeps on increasing, as and when we extract a ton of high grade coal from the bottom seam, more than equivalent amount of low

grade coal will come. That low grade coal has to be compacted and then kept aside for a period of 2.5-3 years till the power plant is commissioned.

Every year, if we look at it, suppose, we are talking about 600,000 tons to start with and then make it to 800,000 tons per year, an equivalent amount and more than that will get stored for a period of 2-3 years. Till the power plant is commissioned, maybe 2 million tons of low grade coal will be compacted and stored.

The high grade coal which is mined will be washed once the coal handling process plant is ready. The CHPP is nothing but a washery. And washed, high grade coal will be sold from April 2012.

Bharanidhar Vijayakumar: Since last quarter, we have been maintaining, we will be selling about 200,000 metric tons of high grade coal in the last quarter of this year. So that won't happen now?

P.J.V. Sarma: There is a disruption in civil construction of CHPP because of unexpected rains, because of that there is a delay of about couple of months, and the washery could not be completed. It is getting now commissioned in March. Washed coal sale was to start from January, now it's from April.

Bharanidhar Vijayakumar: A housekeeping question, in the A.P. plant of 114 MW, 60 MW unit is fully captive right now?

P.J.V. Sarma: It is the function of realization from Ferro Alloys and merchant power.

30% of the total capacity we can say that we were originally allocating for Ferro Alloys. Now, it's a very dynamic thing. Periodically, we review situation and then decide what steps we should take.

Moderator The next question is a follow-up from the line of Amit Golchha from Emkay Global. Please go ahead.

Amit Golchha: In 4Q, what kind of merchant rates we are looking at? Have we signed any contracts?

P.J.V. Sarma: It is around Rs. 4.50 per unit till May- 2012.

Amit Golchha: My calculation is that net merchant price which we got was about Rs. 3.80 per unit am I correct?

M.N. Rao: Net merchant rate realised is Rs. 3.98 per unit during the quarter.

Amit Golchha: And is Rs. 4.50 per unit is also the net merchant rate which we are seeing?

P.J.V. Sarma: Yes.

Amit Golchha: In case of Ferro Alloys, out of Rs. 130 crore of revenues, I believe about 5 crore power units were billed and assuming at Rs. 4.80 per unit of power the billing for that would have been Rs. 24 crore. So what is left is Rs.106-107 crore.

P.J.V. Sarma: That is for Odisha, the Rs. 4.80 per unit getting transferred for conversion is in Odisha unit.

Amit Golchha: Right. Basically, what I am asking is that in case of Ferro Alloys, if I assume that the conversion for Ferro Chrome, the power units were billed at Rs.4.80 per unit and we would have consumed about 5 crore worth of units in converting Ferro Chrome of 10,000 metric tons.

M.N. Rao: For every ton of Ferro chrome conversion, we require about 4000 units of power.

Amit Golchha: Yes, so basically about 5 crore units, we would have received something like Rs. 24 crore for power units, right? So what is left is Rs. 106 crore in terms of net Ferro Alloy revenues, leaving apart the Ferro Chrome power conversion. So if I assume Rs.27,000 per ton of Ferro Chrome realization, what I get is implied realization for basically Silico Manganese is Rs. 47,000 per ton for the quarter.

G.R.K. Prasad The conversion price is Rs. 27,000 per ton. The conversion price includes whatever power cost that is built in, plus whatever margin that is built in.

Amit Golchha: Okay, so power is not separate billing?

M.N.Rao Not separate. So you need to recognize conversion at Rs. 27,000 per ton.

Amit Golchha: That I am getting Rs. 58,600 per ton of realization for Manganese. I just wanted to check like in case of Q3FY11, the cost of generation for the power was Rs. 2.08 per unit. Now, I understand that in February 2011, there was coal price hike for the captive 30% which would have impacted the power cost next two quarters and which went up from Rs. 2.08 to Rs. 2.50 per unit in Q1FY12. Now for Rs. 2.5 per unit, the blending of imported coal was almost similar. In Q3, when the cost is Rs. 3.10 per unit, the blending of imported coal is almost similar. So, basically, what has to change is linkage coal cost? Was there any change between linkage coal cost between Q1FY12 and Q3FY12?

G.R.K. Prasad There is some increase. In A.P., **P.J.V. Sarma:** Rs. 1700 to 1865 is the increased linkage price of coal.

Amit Golchha: Okay, it was done selectively for some captive properties or how did it happen, because Coal India did not announce this hike?

G.R.K. Prasad This is by Singareni Colliery. This is not a Coal India price hike which we are talking about.

Moderator The next question is from the line of P Sachdev from Adhar Securities. Please go ahead.

P Sachdev How the receivables fared from the GRIDCO in the quarter?

M.N. Rao: Only for one quarter, is pending. Otherwise receivable from GRIDCO is alright.

P Sachdev And what will be the quantum of that in terms of the amount?

M.N. Rao: Around Rs. 20 crore.

P Sachdev When can we expect the revision in the Odisha electricity tariff, if at all it happens?

G.R.K. Prasad The OERC hearing took place couple of days back. We expect the final hearing to take place in mid of February. So sometime later, we will start the generation again.

P Sachdev Thank You.

Moderator Ladies and gentlemen, that was the last question. I would now like to hand the floor back to Mr. Prasad for closing comments. Please go ahead Sir.

G.R.K. Prasad Thank you, everybody. It's been a pleasure as ever. If you have any remaining queries, please get back to us. Our mail-Ids are available with all of you. Thank you very much.

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