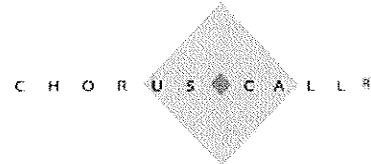
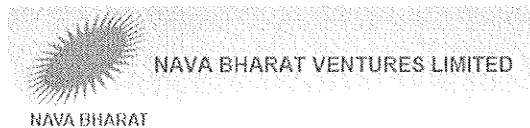


"Nava Bharat Ventures Limited Q4 FY'16 Earnings Conference Call"

May 31, 2016



Moderator:

Ladies and Gentlemen, Good Day and Welcome to Nava Bharat Ventures Limited Q4 FY'16 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 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 participant lines will be in the listen-only mode. There will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference, please signal an operator by pressing '*' and then '0' on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. G.R.K. Prasad. Thank you and over to you, sir.

G.R.K. Prasad:

Thank you. Good afternoon and a warm welcome to all the participants.

I am today joined by my colleagues; Mr. T. Hari Babu – CFO; Mr. M.N. Rao – VP, Finance; Mr. P.J.V. Sarma – Director, Nava Bharat Projects Limited and SGA, our IR Advisors.

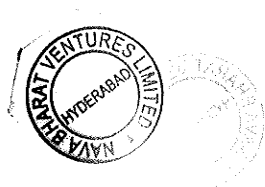


I trust you have had a look at our “Financial Results” and “Earnings Release” that have been uploaded on stock exchanges as well as on the company’s website.

I will give a “Brief Update on the Businesses” followed by “Commentary on Financial Results”. I will begin with the Power business: Domestic Power business which is inclusive of Nava Bharat Energy India Limited has registered revenue of Rs.1,104 crores in FY’16, contributed 61% of the total consolidated revenue as against 57% in FY’15. EBIT from this business grew by 21% year-on-year from Rs.343 crores in FY’15 to Rs.416 crores in FY’16. EBIT margin improved by 844 basis points from 29% in FY’15 to 38% in FY’16.

Nava Bharat Energy India Limited, 100% subsidiary of the company, with 150 MW operations in Telangana performed well during FY’16 with revenue of Rs.509 crores and net profit in FY’16 is at Rs.153.6 crores from Rs.102.5 crores in FY’15, a growth of 50% year-on-year.

Power Operations in Telangana and Andhra Pradesh have been principal driving factors on account of better local merchant power rates than those prevailing elsewhere in the country. The company is able to maintain control on fuel cost in power generation by accessing coal through e-auction in Telangana, in addition to linkage coal for captive power plants. The Power plants in Telangana and Andhra Pradesh registered average PLF of about 80% during FY’16 which could have been better but for a combination of plant maintenance, outages and grid curtailments.



The operations of Power plant in Odisha was stable to the extent of captive consumption though constrained by un-remunerative merchant power rates for the surplus power limiting generation.

Coming to International Projects: In the current financial year, we are more closer to achieving operationalization of our much awaited foray in coal-based 300 MW power project in Zambia, scheduled to commence commercial operations by end July 2016. This project is the first ever coal-based power plant of Zambia which currently has hydel capacity of approximately 2,000 MW. There is substantial demand for power in the country and surrounding regions. The project has entered into a long-term power purchase agreement on take or pay basis with ZESCO, country's only utility company backed by sovereign guarantee. This project has government participation to the extent of 35% in equity. The Zambian project envisages to have a peak funding profile of US\$843 million is being funded by long-term loans of US\$590 million and equity funds of US\$253 million from the sponsors -- Nava Bharat Singapore Private Limited holding 65% and ZCCM Investment Holdings PLC holding 35%. With the tie-up of latest long-term loan, the bridge facility of Nava Bharat Singapore is expected to be repaid in June 2016 while full equity funds stand deployed, the Zambian company avail effective term debt of US\$475 million as on date. The Zambian company registered net profit from the high grade coal operations for FY'16 and was also benefited by net deferred tax adjustment.



It is indeed heartening that the Project Finance Transaction of Maamba Collieries Limited has received excellent awards as the "Power Deal of the Year" in Africa from discerning international agencies like Project Finance International of Thomson Reuters and World Finance. Laos Hydel Power Project is under development phase with EPC structure being finalized. The commercial launch of agro ventures in Tanzania are awaiting the land allocation by the government following which requisite business plans will be drawn.

Moving on to Ferro Alloys business: Ferro Alloys business has registered revenue of Rs.467 crores in FY'16 contributing to 26% to total consolidated revenue. The company enter into an agreement for renewal of conversion arrangement of Chrome Ore into Ferro Chrome with Tata Steel Limited for a period of four years commencing from April 2016 to produce 70,000 tons of High Carbon Ferro Chrome per annum at its Odisha Ferro Alloys plant. This arrangement will help the Odisha operations in the recovery of fixed cost while enabling reasonable value addition for captive power.

The Manganese Alloy operations were however quite subdued being dependent and in line with the primary steel scenario in India and overseas. The production in Telangana works was accordingly regulated with opportunistic sale of Power.

Moving on to Sugar business: The business registered revenue of Rs.140 crores in FY'16 contributing 8% of total consolidated revenue. The business was marked by mismatch in Sugarcane price and Sugar realizations for a greater part of FY'16 and was therefore critically dependent on sale of byproducts and cogenerated power to achieve near breakeven situation.



Moving on to Financial Highlights for the Year FY'16: The consolidated performance was distinctly aided by Nava Bharat Energy India Limited (100% subsidiary of the company) with 150 MW operations in Telangana and contribution from coal mine operations and deferred tax benefits in Maamba Collieries Limited, our Zambian subsidiary.

The Board of Directors of the company have recommended a dividend of 150%, i.e. Rs.3.00 per equity share of Rs.2 each resulting in an outgo of Rs.30 crores inclusive of dividend distribution tax.

The Board of Directors has also decided to deliberate on the issue of bonus shares to the shareholders in a separate meeting to be convened later.

Our annual consolidated performance if you look at it, the company has registered revenue of Rs.1,593 crores in FY'16; net profit after minority interest for the company is at Rs.287 crores from Rs.206 crores in FY'15, a growth of 39% year-on-year; net profit margin improved by 668 basis points from 11% in FY'15 to 18% in FY'16.

Coming to standalone performance, the company registered revenue of Rs.989 crores in FY'16; net profit for the company is at Rs.111 crores.

The Zambian company has its revenues for Power and most of the coal sales denominated in US dollars and therefore is not exposed to currency fluctuations in servicing of long-term loans, the interest rate of which is hedged to the extent of 100% during construction phase and 70% during operational phase.

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

Moderator: Thank you very much, sir. Ladies and Gentlemen, we will now begin the Question-and-Answer Session. Our first question is from the line of Vinod Malviya of Florin Tree Advisors. Please go ahead.

Vinod Malviya: Sir, just wanted to understand the balance sheet. Your long-term as well as short-term debt has gone up and I can see that it has gone towards funding the loans and advances on a standalone balance sheet. Can you provide some details about the loans and advances which you have provided during this financial year?

G.R.K. Prasad: These are the loans that are there in the company, i.e., Nava Bharat Ventures contracted to fund the equity infusions into Singapore subsidiary for onward investment in Maamba. They were in the form of SBLC-backed loans in Singapore which were converted into rupee loans during the year and that is how the loans and advances moved up.

Vinod Malviya: It is not shown as a part of the non-current investment?

M N RAO: There is an amount of US\$77.5 million, that has been given as loan by Nava Bharat Ventures to Nava Bharat Singapore. Earlier sum of US\$44 million was borrowed by Nava Bharat Singapore from State Bank of India Johannesburg branch, that loan has been totally repaid and that particular funding was done by Nava Bharat Ventures to Nava Bharat Singapore. This amount was shown as non current investment and balance as current.



Vinod Malviya: Can you help me out with the breakup of debt like the total consolidated debt is Rs.3,200 crores, how much is with the parent company, how much is with the Singapore company and how much is with the Zambia project?

M N RAO There is a debt of Rs.322 crores in Nava Bharat Ventures and Nava Bharat Energy is having Rs.264 crores and Maamba Collieries is having Rs.2,969 crores, this is the consolidated term debt.

Vinod Malviya: Apart from this you have loans and advances with a tune of US\$77 million, right?

M N RAO Apart from this, we have given US\$77.5 million from Nava Bharat Ventures to Nava Bharat Singapore.

Vinod Malviya: When do you expect this to come back?

M N RAO US \$44 million is a long-term loan, this comes after two years, balance US \$33.5 million, we will be receiving major portion of this when this AFC accession happens that is before June 30th, that is what we are expecting.

Vinod Malviya: I can see that the effective tax rate for FY'16 was very low, I can see that it was largely because of the MAT credit benefit which you have been getting. So for going forward for FY'17 and '18, what would be the effective tax rate?

M N RAO Effective tax rate for FY'17 will be something around 5%, it will be a bit more than FY'16.

Vinod Malviya: That is largely again because of the MAT credit only, right?

M N RAO: Yes, largely because of MAT credit.



Vinod Malviya: On the 64 MW Odisha unit, is there any progress happened which has been lying idle for quite long time now?

G.R.K. Prasad: The second 60 MW Unit is ready to generate and sell power. We have got all the clearances including open access clearance. But, as you know, the merchant power rates have been pretty low outside of southern region, in fact, outside of Telangana So, we are not able to start the unit for fear of losing on the variable cost side.

Vinod Malviya: For another 64 MW what is the PLF over there?

G.R.K. Prasad: The other 60 MW and 30 MW are captive power plants, so we use out of that 30 MW for captive use to convert Ferro Chrome and we sell about 17 MW outside towards merchant power sale.

Vinod Malviya: So 47 is utilized out of the 90 MW?

G.R.K. Prasad: Yes.

Moderator: Thank you. The next question is from the line of Shreenath V of Bellweather Capital. Please go ahead.

Shreenath V: I was wondering why our dividends payout has fallen out from last year to this year – is it going to be Rs.3 per share after the bonus is declared or is it Rs.3 per share on current outstanding shares?

G.R.K. Prasad: It is Rs.3 per share on the current outstanding shares. Bonus decision is still to be taken by the board for which a separate meeting is being called. Reason we had to look at a lower dividend one of course, is that the standalone performance has to be factored in and second thing is, we have to take the situation of current power scenario as well as commodity



scenario for which the visibility is still to emerge. So we want to tread cautiously in terms of dividend payment. But the payout if you see actually,, our average payout of dividend for several years is around 20%, in fact, it is little more than 20% this time.

Shreenath V: But our payout is going to be Rs.30 crores, right, our consolidated net profit is much higher?

G.R.K. Prasad: We cannot take the consolidated profit for the payout of dividend because dividend payout happens out of standalone profits.

Shreenath V: Sir, I wanted to also find out about, there is a recent export duty on Ore as well as our tolling arrangement with Tata. So would this Ferro business become profitable next year?

G.R.K. Prasad: Actually, the export duty on Chrome Ore was removed by the government, again got re-imposed. The reimposition actually puts the situation back in the same situation as it was. The commercial arrangement as such brings forth a kind of stability to Odisha operations of Ferro Alloys. So the entire facility is being used and we have the complete fixed cost being recovered, because of this conversion arrangement and more importantly, whatever power that is consumed in this conversion arrangement is actually translated at a reasonable price which is much higher than what is prevalent for merchant power at this stage.

Shreenath V: So segment is likely to become profitable next year for the full year basis?

G.R.K. Prasad: Segment comprises both Odisha and Telangana, but Odisha works definitely we would expect to contribute to profitability, but the situation in the Manganese is not that clear, at this point. The

industry remains a little volatile. Unless the first quarter passes we would not be able to really throw some light on Manganese Alloy performance.

Shreenath V: On Zambia, about a couple of quarters back, we had released the IRR guidance for the project where we had mapped out the revenues up to 20-25 profitability and so on. So I wanted to find out with the current delays, the kind of numbers that we have put up for FY'17, would that still hold here right now about?

G.R.K. Prasad: I do not think there has been any change in our schedules as far as the numbers those were put out earlier and that are currently standing,. Because this commercialization operation date was kind of envisaged a year ago as the July 31st and we are well on track. We are hoping to have the unit into operations by end of July, maybe a few weeks here and there, but the operations for 8-months of this year are kind of they should.

Shreenath V: If all goes well, we are likely to get a net profit of north of Rs.100 crores on this particular project for the year?

G.R.K. Prasad: Yes, it will be a part of the year actually and lower.

Shreenath V: When is the first 150 MW coming and the second or they all come at the same time? What is the kind of teething phase for the plant to settle and to run it full utilization?

G.R.K. Prasad: We expect the first unit to go on stream by end of June and get stabilized immediately in July itself and the second unit to follow within a month thereafter.

Shreenath V: The same projection sheet, there is a net profit and disposable surplus. Is the difference between the two the debt repayment schedule we have in Zambia?



G.R.K. Prasad: There is debt service coverage ratio and then we have a cushion as dictated by the lender. So it is a little more than the debt service that is required on year-on-year basis, that is being left in the company. So you will find a difference between actual profit and distributable surplus to that extent.

Shreenath V: So this is basically the debt we are going to pay and some cushion that we have kind of put in place?

G.R.K. Prasad: That is right.

Moderator: Thank you. The next question is from the line of Ravi Purohit of Securities Investment Management. Please go ahead.

Ravi Purohit: Just a little more on the Zambian operations. When you say we are likely to commence operations from June end for the first 150MW and by July for the second 150MW, is the offtake already set in place, in the sense the buyer which was supposed to be some copper mine company, all those things are already in place and so is that something that we are already geared for?

G R K PRASAD Yes, the power purchase agreement is signed with Zambia, that is a supply company ZESCO which in turn going to supply to copper mines belonging to First Quantum, it is a multinational company. That mines are already operational. So that means they are all waiting for the power to come.

Ravi Purohit Because there were kind of some dispute going on between the power companies and the government on the tariff?





G R K PRASAD: Yes, tariff, there is a difference, but irrespective of the tariff difference about it, now the supply is going to continue, They are already supplying the power, only thing they wanted a revision, the revision is under discussion.

Ravi Purohit: But that does not stop anything for this plant, in the sense that, this plant will just go ahead and start producing power and the supplying, is it right?

G R K PRASAD That is right.

Ravi Purohit: The payment will come from ZESCO or from...?

P J V Sarma There is an arrangement called 'Escrow Arrangement' by means of which the payment coming from the ultimate customer is going to be put in a bank where the lenders and Maamba Collieries will have an access, only after adding some margin to that, only the balance will go to ZESCO's account. There is a strong 'Escrow Arrangement' that was stipulated by the lenders which is being implemented. So the payment security is being well made.

Ravi Purohit: Just to further expand on the question that the previous speaker was asking on the distributable surplus, just to understand the distributable surplus is made up of debt repayment as well as any dividend payment that is possible or it is purely for debt repayment?

G.R.K. Prasad: It is like this; we have a certain common international covenants whereby 1.25% of the debt service coverage is kept there in the books, beyond that is allowed to be distributed to the sponsors. It is like after meeting one-time surplus you are just keeping a reserve of 0.25.



G R K PRASAD 25% extra.

Ravi Purohit: So whatever is surplus available for the principals can be dividend out, is that...?

G.R.K. Prasad: Correct, that is the distributable surplus.

Ravi Purohit: I was looking at our performance of the Nava Bharat Energy subsidiary. The volumes for the full year have shown a decline and volumes in this quarter have definitely shown a significant decline. Was it because we took a plant shutdown this quarter or what happened this quarter?

G.R.K. Prasad: We had a plant shutdown which is a statutory shutdown for about two and half weeks, but what was more pronounced was the grid curtailment, that had been happening in Telangana which had prevented us from accessing IEX also, because of lack of notice. Otherwise, plant was in readiness but we could not fully utilize it.

Ravi Purohit: So if Telangana state government basically signs the PPA for us, did they take less power than what the PPA was and as a result of which the volumes kind of lower and apart from this two and half -three weeks of plant shutdown, is that a right understanding?

G.R.K. Prasad: The last year contract was with a guaranteed off take by the grid to the extent of 85% on a yearly basis. If they do not take on a yearly basis, they were required to pay penalty which is designated as fixed sum per unit. They definitely fell below the requisite percentage of 85%, so there is a possibility of some penalty being recovered from the trader and ultimately from the grid. That is on a yearly basis, it actually came to an end in May, so we would have that assessment done and probably recover

that penalty. But that is how the grid likes to function with a tolerance limit which was 85% which is actually being brought down to 70% this year in the new PPA that we have signed.

Ravi Purohit: So basically they have a commitment of taking up to 70%, so the remaining 30% we can sell on our own or how does it work?

G.R.K. Prasad: They have a right to take the 100% but they have a right to be not subjected to penalty so long as the yearly off take does not fall below 70%. That is the arrangement and what has been agreed with them is that they should give us sufficient notice whenever a curtailment is in the offing, so that we can access IEX. That is the plan.

Ravi Purohit: So the drop in volumes that we saw in the March quarter is because of 2-2.5 weeks of plant shutdown and reduced off take from the grid, has the situation continued in this quarter or how does it work.

G.R.K. Prasad: It actually is more seasonal, like whenever rains happen, whenever demand falls for small periods, it happens. There is no such pattern, but usually you will find this kind of situation in rainy season, otherwise it is not usual. Happening in the last quarter was a bit unusual.

Ravi Purohit: So right now the off take is back to normal?

G.R.K. Prasad: First quarter yes, almost normal, but of course rains disrupted again...

Ravi Purohit: This new PPA that we have signed for the coming year, we typically do it with the power traders, so it is basically Rs.5 per unit, is it?

G.R.K. Prasad: That is right.

Moderator: Thank you. The next question is from the line of Mohit Kumar of IDFC Securities. Please go ahead.

Shirish: Shirish here. A couple of questions: First, what is the volume of Coal sold in Maamba during the year or the quarter whatever is available?

M N RAO During the quarter we have sold something around 53,000 tons of high grade coal and for the total year it is about 321,000.

Shirish: So what would have been the realizations?

M N RAO Realization is around \$40 per ton; fourth quarter it is \$42 per ton and the year as a whole it is \$38 per ton.

Shirish: Do we expect this to increase over next year or the production will be by and large around 400,000 tons?

M N RAO By and large it will be 400,000 tons only for '17.

Shirish: So was this coal production of 320,000 tons, took us to breakeven at PBT level or was there a minor loss at PBT?

M N RAO Yes, it got breakeven at PBT level.

Shirish: The second thing was the loan which we have given to NBS and there was if I remember right \$50 million or \$55 million which was supposed to be refinanced and that money was supposed to come back to us. So I believe the refinancing is done, right?



M N RAO Not yet, it is total loan we have given is US\$77.5 million, out of which US \$44 million we thought of getting refinanced, but it is still pending, so refinancing is not yet done at NBS level for this loan.

Shirish: What was the US\$33 million which you are expecting to come?

M N RAO That US\$33 million will come back once this AFC accession is done from MCL, that is from Maamba Collieries to NBS, we expect major portion of this amounts to come back by this June end.

Shirish: Basically this US\$33 million will be taken over by Maamba essentially in simple terms?

M N RAO Yes, Maamba has to pay Nava Bharat Singapore towards special bridge loan given, we expect to get back by June end and once this is received that money will flow back to Nava Bharat Ventures.

Shirish: This US\$44 million where we are in the process and then it is like documents signed, sealed or?

M N RAO We are not pursuing for the present.

Shirish: This is used to basically to give the bridge loan to Maamba?

M N RAO No, this is used to infuse equity in Maamba.

Shirish: This is borrowed against the equity which we have put in Maamba?

M N RAO Yes.

- Shirish:** So this is more like a long-term use of funds than a short-term bridging of capital?
- M N RAO** You are correct.
- Shirish:** Maamba the first boiler 150 MW, has the boiler been fired and tested or not yet?
- G.R.K. Prasad:** Flushing has already been done for both the boilers. We are scheduled to have this light up in the first week of June for the boiler-I.
- Shirish:** Second will happen about a month later?
- G.R.K. Prasad:** Yes.
- Shirish:** Is the transmission link ready now to upload power?
- G.R.K. Prasad:** Yes, it is ready for energization.
- Shirish:** Now, if we fire and the boiler starts producing power, there is nothing else left so to speak to complete the project?
- G.R.K. Prasad:** Of course, we are injecting during stabilization period, we expect reliability run and take over to happen in a month's time.
- Shirish:** From a project standpoint, some critical path left or something else to be commissioned, nothing like that is pending now?
- G.R.K. Prasad:** Some utilities are still to be completed finally, but I think they do not hold the commercial operations; they are not coming in the way.

- Shirish:** The coal required for this 300 MW we have enough in stock right now, so we do not have to worry about coal to be mined and then fired for this?
- G.R.K. Prasad:** Yes, the current inventory is about 2 million Tons, so that takes care of more than a year requirement. Even otherwise, getting the coal out from the mine is no sweat really.
- Moderator:** Thank you. The next question is from the line of Bhavin Chedha of Enam Holdings. Please go ahead.
- Bhavin Chedha:** Is this peak debt levels, I think Rs.3400 crores is your gross debt, right, entire funding and CAPEX has happened at Zambia, right?
- M N RAO** No, this is not peak debt level. Out of US\$590 million of debt requirement, only US\$432 million was drawn.
- Bhavin Chedha:** So balance you will draw in next three months?
- M N RAO** Yes, next one or two months we will be drawing.
- Bhavin Chedha:** That is the pending amount of CAPEX there. So total project cost is US\$590 million plus US\$320 million equity right?
- G.R.K. Prasad:** Out of US\$590 million loan, you have to actually reckon US\$475 million having been drawn which includes the sponsors bridge equity which of course will be reimbursed out of some of the loans. So US\$475 million is the loan that has been drawn on long-term basis and US\$253 million is the equity, that has already been deployed. So actual expenditure on the project is about US\$620 million, balance to be spent spread over the next 3 months.

Bhavin Chedha: So, this is the IRR driven project. So once this project starts in June, this is 18%-19% ROE driven project right?

G.R.K. Prasad That is right.

Bhavin Chedha: So once we start this project, do our Coal merchant volumes go down because I think then you use your entire coal for power generation, right?

G.R.K. Prasad: No, the merchant coal happens to be for high grade coal, that is not intended for power generation. The coal that is intended for power generation is the low grade coal which is obtained in the top seam.. So we would continue to have the high grade coal sales for next three years at least based on current availability.

Bhavin Chedha: This 4 lakh tons of high grade coal will continue for next three-odd years?

G.R.K. Prasad: Correct.

Bhavin Chedha: So what is the mining plan like high grade as well as low grade coal, you said you have inventory of 2 million tons, right?

G.R.K. Prasad: We have inventory of 2 million tons of low grade coal.

Bhavin Chedha: So that would be enough for 300 MW for year-one generation, right?

G.R.K. Prasad Close to 1.5-years.

Bhavin Chedha: So again what is the current mining run rate like, so you are getting high grade as low grade coal from the same mine, right?

G.R.K. Prasad: Yes, currently, we do not require to keep the run rate at 100,000 tons kind of a thing per month, till such time as the stock pile

comes to a stage where we require to start mining and then get the output like 100,000 to 120,000 tons of raw coal. So that we expect to happen during the later part of first year of operations.

Bhavin Chedha: Coming to the Ferro Alloys business, it has a PBIT loss this year even latest quarter. So, I think the prices there has gone up again you have conversion contract with the Tata Steel. So how it is seen there?

G.R.K. Prasad: The Chrome operations, I would say, have kind of stabilized. So there we are actually talking about the whole recovery of fixed cost as well as leaving us a small margin on the books. But the Manganese Alloy operations which are driven by primary steel are still I would say are subdued...

Bhavin Chedha: But there too the prices have gone up, right?

G.R.K. Prasad: For a few weeks, actually what happened they have since been corrected.

Bhavin Chedha: So there you are saying still it is not at the breakeven level on the Manganese Alloy side?

G.R.K. Prasad: That is right.

Bhavin Chedha: If I combined both together then you should be PBT positive now?

G.R.K. Prasad: Not PBT positive, but I think our attempt is to at least stay at breakeven, both the things put together for the current year.

Bhavin Chedha: I am saying both the things put together only. So PBT at what level? What do you mean by breakeven at what level?

G.R.K. Prasad: I am talking at PBT level.

Bhavin Chedha: So roughly you had Rs.68 crores of PBIT loss, so at least you are trying to recover that amount and the interest cost in FY'17?

G.R.K. Prasad: Exactly.

Bhavin Chedha: On the power side, what was the merchant sale of power for the entire year?

M N RAO Merchant sale of power for the entire year is about 800 million units.

Bhavin Chedha: What can we do in FY'17?

G.R.K. Prasad: We cannot put a number but I think it will be better than that because the outage is not likely hereon because in FY'16 we lost out two months of the generation.

Bhavin Chedha: So, in FY16, we lost out on 2 months of generation, which probably should not be there in FY17. On the Power side, you made around Rs.2.70 of PBIT. So that run rate on the full number should continue, right, because the Coal prices are more or less subdued and merchant realizations are also stable?

G.R.K. Prasad: But price moved down. The last year contract was distinctly Re.1 up.

Bhavin Chedha: Current quarter price has moved down by Re.1, you are saying?

G.R.K. Prasad: That is right.

Moderator: Thank you. The next question is from the line of Abhineet Anand of SBI CAP Securities. Please go ahead.



Abhineet Anand: What was the mix of linkage and e-auction coal at our power plants?

M N RAO we do not maintain record separately for linkage and e auction coal .

G.R.K. Prasad: We have 114 MW of captive power plants in Telangana against which we have linkage for 100 MW. In Odisha, we have 90 MW of captive power plant, the linkage is for let us say 60 MW. We use the fuel on balance power through coal either e-auction or washery rejects mostly. As far as, 150 MW of Telangana plant is concerned, it is about 90% coal through e-auction, 10% with imported coal.

Abhineet Anand: So how has the trend been in the e-auction prices been over the last 1-year which you have seen?

M N RAO No much increase in the e-auction prices during last year.

Abhineet Anand: We understand it has perhaps come down. So do we have in terms of pricing what has come down?

M N RAO It has not that greatly come down, I think it is something around Rs.2,200 per ton landed for one ton of coal.

Abhineet Anand: On this Zambia power plant, the overall cost as I understand is US\$590 million as debt and around US\$250 million in the equity part, is it right?

M N RAO Yes, you are correct.

Abhineet Anand: So we have spent another US\$620 million of assets, so we are left with another US\$120-130 million?



M N RAO US\$220 million, US\$620 million has been spent and US\$840 is the total project cost

Abhineet Anand: So just to understand when we are saying that the power plant is almost ready and to be fired and by June-July producing, so almost say one-fourth of the CAPEX still left you are saying?

G.R.K. Prasad: This cost includes debt service reserve account and whatever is the final prices, that would need to be paid to the contractors after the plant is taken over, and interest during construction cost through the commercial operation date. So those will get spent. But when we said US\$620 million having been spent it is not the cost that is accrued on the date. There are works for which the payments will be made in the next one month or so.

Abhineet Anand: How much of increase in debt will happen when one of the plants is operations and we pay to the contractor and all, equity we have already put total, right?

G.R.K. Prasad: Yes, we expect the total debt to be in place by the time the unit is its commercial operations which is US\$590 million.

Abhineet Anand: So the debt figure of Maamba Collieries, that was given was around Rs.3,000 crores, right?

G.R.K. Prasad: US\$590 million. That is not undergoing any change.

Abhineet Anand: In terms of PPA that we have with ZESCO and we are probably at that 18-20% ROE, what were the key clauses there, where our ROE could be hit or is it totally a pass-through that over the next 20-years we will be getting that ROE that we are mentioning?

G.R.K. Prasad: Actually, tariff which can be escalated in certain factors based on US PPA. Of course, the coal cost as such is not subject to escalation except some factors of coal extraction can be escalated. So depending on that, we expect the ROE to stay put at about 20% on an average.

Abhineet Anand: The total coal that we will need from this project will be internally from the collieries?

G.R.K. Prasad: Yes, the coal concession is far larger than the coal required over the next 30-years.

Abhineet Anand: The only risk that could be is that our overall cost of extraction from this coal, mines goes up and then only we can have a hit in the fuel cost in the PPA, is it right to assume that way?

G.R.K. Prasad: Yes, but it is highly unlikely, because the fuel cost or the fuel charge that is imputed in the tariff, has a transfer price mechanism and cost of extraction at this point is comfortably placed.

Abhineet Anand: Do we share the broad financials of Maamba Collieries for FY'16?

G.R.K. Prasad: The 'FY'16 Annual Report' does contain the subsidiary accounts.

Moderator: Thank you. The next question is from the line of Mohit Kumar of IDFC Securities. Please go ahead.

Mohit Kumar: A couple of questions: First of all, can you please explain the funding of the Zambia as of now and what will be the eventual funding, in the sense how the equity has gone into Maamba



Collieries, who has put how much right now and what will be the eventual funding?

P J V SARMA The total project is US\$843 million, out of US\$843 is funded by a debt of US\$590 million and equity of US\$253 million, this US\$590 million is the total debt and which has been funded, I think we have been mentioning two Chinese banks and there are three ADFIs and two European banks – Standard Chartered and Barclays, that is how it is funded.

Mohit Kumar: I am trying to find out how much equity that Nava has put in?

P J V SARMA US\$253 million spread between 65-35 basis with Nava Bharat and ZCCM.

Mohit Kumar: No, I am asking this question because you have also given loans to Maamba Collieries apart from the pure equity. So trying to get...

P J V SARMA US\$253 million is the equity from our side; that is 65%, US\$165 million has been put in by us, balance has been put in by ZCCM, our partner. Over and above that we have given something around US\$40 million as bridge loan which is outstanding as on date.

Mohit Kumar: Against that you have again given additional US\$33 million, right?

P J V SARMA Out of US\$590 million of the debt what I have said was right now at the time of the financial closure around US\$515 million was done, The balance was given as an additional sponsor bridge loan from the sponsors now. That money is going to be repaid by Maamba Collieries because of the balance funding which is out of US\$590 million.

Mohit Kumar: That means the entire US\$65 million which is by Nava Bharat will be replaced by long-term loan and will be repaid back to the parent company.

P J V SARMA That is right.

Mohit Kumar: Is there any visibility on the tie-up of the balance debt?

G.R.K. Prasad: Out of the US\$65 million, we already got back US\$20 million, so we still hold Sponsors' Bridge loan of about US\$45 million which includes pure loan and some repayable development cost with the company, so those are expected to be repaid in this June month. The structure wise we have put this equity of US\$253 million by way of equity and also shareholder loans and by way of an LC. So all three put together adds up to US\$253 million. So our idea is that part of this bridge loan which is there will be used to replace that LC of US\$8 million. So net result is the company would get about US\$32 million or US\$33 million following the induction of this new long-term loan which is expected any time now and definitely before end of June.

Mohit Kumar: Net-net how much we will get from the company in FY'17?

G.R.K. Prasad: US\$33 million.

Mohit Kumar: How is the power offtake during April and May from our Telangana power plant?

G.R.K. Prasad: I do not have individual numbers but the offtake for April-May has been fairly reasonable except during May. We have had a few days of heavy showers and all where the power offtake got disrupted. But for that, the offtake has been fairly normal.



- Mohit Kumar:** Can you share the fuel cost per unit terms especially for Telangana power plant...a ballpark figure would do?
- G.R.K. Prasad:** We operate on the basis of coal through linkage and e-auction. So there are the two plants in Telangana – one for captive consumption which is 114 MW and the other is an independent power plant which is 150 MW.
- Moderator:** Thank you. The next question is from the line of Moulik Doshi of HDFC Securities. Please go ahead.
- Moulik Doshi:** I have a couple of questions for the Zambia project. My first question is what I understand is there is an escrow arrangement is in place and we will recover our money from the copper mines. So totally how many customers are there?
- P J V SARMA** Effectively it is one customer and two mines of the customer, it is called the First Quantum which is a very large Canadian mine and the flows coming out of two of their mines is being escrowed to an offshore account in London.
- Moulik Doshi:** In the initial remarks, you mentioned it is take or pay basis. Can you please elaborate what are the terms?
- P J V SARMA** Take or pay means you have to keep the plant make available. As long as they keep available factor even if ZESCO does not take they have to pay the capacity charges. So that is a typical take or pay basis.
- Moulik Doshi:** Can you give me the breakup of capacity charges and energy charges?



- G.R.K. Prasad:** Out of 10.89, the transmission charges is 1.03 cents and then out of the generation tariff about 6.48 cents is the capacity charge and balance is energy charge.
- Moulik Doshi:** So you have to maintain availability up to any particular level of 80-85%, is there any defined?
- G.R.K. Prasad:** Our projection is availability of about 85%.
- Moulik Doshi:** Second thing is you mentioned that 18%-20% ROE. So is this including both power plant as well as coal operations?
- G.R.K. Prasad:** This is on power.
- Moulik Doshi:** Any profitability for coal mining will be over and above this.
- G.R.K. Prasad:** Coal operations if you have noticed are actually marginal.
- Moulik Doshi:** The coal that we are trying to sell high grade quality, it will be determined by market rate only, right?
- G.R.K. Prasad:** Yes.
- Moulik Doshi:** What is the maximum capacity that we can achieve for this coal mines operations sales going forward?
- G.R.K. Prasad:** Our expectation is about 0.5 million tons max per annum, but at this point the run rate is about 350,000-400,000.
- Moulik Doshi:** Do you expect to ramp up to this level in the next 3-4-years or will it take some time mainly because of demand side issue for the coal mining?



- G.R.K. Prasad:** The demand is emerging from Zambia alone. We cannot think of moving the coal out because of the transport bottleneck there. We expect that demand to remain more or less flat, around that level.
- Moulik Doshi:** Our customer for XYZ reasons does not require to purchase our power, they are supposed to pay. So ZESCO as such is not at all involved in any recovery of tariff?
- G.R.K. Prasad:** Our counterparty is ZESCO only. ZESCO is involved. The PPA is with ZESCO with back to back escrow arrangement from the ultimate customer. So the ultimate customers receivables are factored in terms of the escrowing those receivables account and that account is first made to pay to our bills before ZESCO gets paid. That is the arrangement. So in a hypothetical situation if the ultimate customer does not take the power ZESCO has every liberty to send to somebody else and put money in that account.
- Moulik Doshi:** They are bound to do that?
- G.R.K. Prasad:** Yes, they are bound to that, that is the arrangement.
- G.R.K. Prasad:** There is a severe shortage of power.
- G.R.K. Prasad:** It is an irrevocable kind of an arrangement. So we expect that to sustain.
- Moulik Doshi:** What will be our cost of debt for the project?
- G.R.K. Prasad:** Cost of debt as such would be about 8.5% including the hedge cost.




Moderator: Thank you. With that we have our last question and I now hand the conference over to the management for closing comments.

G.R.K. Prasad: Thank you very much for your participation and like to thank everyone for joining on the call. I hope we have been able to respond to your queries adequately. For any further information, I request you to get in touch with us or SGA, our investor relations advisors.

Moderator: Thank you very much, members of the management team. Ladies and Gentlemen, on behalf of Nava Bharat Ventures Limited, that concludes this conference call. Thank you for joining us and you may now disconnect your lines.

For NAVA BHARAT VENTURES LTD.



Company Secretary
& Vice President