

NAVA BHARAT VENTURES LIMITED

NAVA BHARAT CHAMBERS, RAJ BHAVAN ROAD, HYDERABAD-500 082, TELANGANA, INDIA.

NAVA BHARAT

NBV/SECTL/ 791 /2017-18

November 8, 2017

Listing Department
National Stock Exchange of India Limited
Exchange Plaza, 5th Floor
Plot No.C/1, G Block
Bandra Kurla Complex, Bandra (E)
MUMBAI – 400 051p
NSE Symbol : 'NBVENTURES'

Dept. of Corporate Services
BSE Limited
Phiroze Jeejeebhoy Towers
Dalal Street
MUMBAI – 400 001
Scrip Code : '513023' / 'NBVENTURE'

Dear Sirs,

Sub: Disclosure under Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 - Transcript of the Concall with Investors.

Ref: Our Letter No. NBV/SECTL/ 747 /2017-18 dated October 26, 2017

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Please find enclosed the transcript of the Conference Call with Investors / Analysts held on October 31, 2017 on the operational and financial performance of the Company for the quarter and half year ended September 30, 2017.

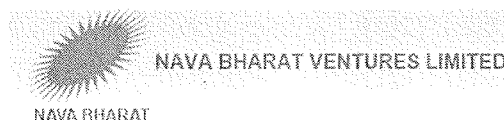
Kindly take the same on record and acknowledge the receipt.

Thanking you

Yours faithfully
for NAVA BHARAT VENTURES LTD.,

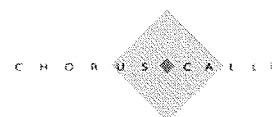
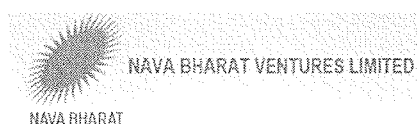
VSN Raju
Company Secretary
& Vice President

Encl: as above.



“Nava Bharat Ventures Limited Q2 FY2018 Earnings Conference Call”

October 31, 2017



ANALYST:

**MR. ABHINEET ANAND – SBI CAP SECURITIES
LIMITED**

MANAGEMENT:

**MR. GRK. PRASAD – EXECUTIVE DIRECTOR –
NAVA BHARAT VENTURES LIMITED
MR. T. HARI BABU – CHIEF FINANCIAL OFFICER –
NAVA BHARAT VENTURES LIMITED
MR. PJV SHARMA – DIRECTOR –
NAVA BHARAT PROJECTS LIMITED
MR. M. N. RAO – VP FINANCE –
NAVA BHARAT VENTURES LIMITED
MR. VSN RAJU – COMPANY SECRETARY –
NAVA BHARAT VENTURES LIMITED**



*Nava Bharat Ventures Limited
October 31, 2017*

Moderator: Ladies and gentlemen, good day and welcome to the Nava Bharat Ventures Limited Q2 FY2018 Earnings Conference Call hosted by SBICAP Securities Limited. 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 telephone. Please note that this conference is being recorded. I would now like to hand the conference over to Mr. Abhineet Anand from SBI CAP Securities Limited. Thank you and over to you Sir!

Abhineet Anand: Thanks. I welcome everybody to Q2 FY2018 Post Results Conference Call of Nava Bharat Ventures Limited. The management is represented by Mr. GRK Prasad, Executive Director, Mr. T. Hari Babu, CFO, Mr. PJV Sharma, Director Nava Bharat Projects Limited, Mr. M.N. Rao, VP Finance and Mr. VSN Raju, Company Secretary & Vice President. I will hand over to the management now. Over to you Sir!

GRK Prasad: Thank you Abhineet! Good afternoon and a warm welcome to all the participants. I hope you had a look at our financial results, the Company's release on the financial results and corporate developments,. They have also been filed with the stock exchanges as well and posted on our website, which you could probably look at.

Let me start with consolidated financials, The consolidated financials of the Company have shown improvement for the corresponding and trailing periods notwithstanding the suboptimal performance of the Nava Bharat Energy India's 150 MW and the 300 MW Zambian Power Project. The 150 MW power unit took the full brunt of the weak power sector and grid curtailments during the first half. The Company has not factored the compensation for lower off take by the DISCOMs, which was available for the contract, which ended in May 2017, in the current financials and will account for it on receipt basis.

In terms of the financials during the quarter, the Company registered consolidated revenue of Rs.511.48 Crores for Q2 and Rs.875.04 Crores for the half year ending September 30, 2017.

Now coming to standalone financials. The performance of the Company in Indian business segments has shown marked improvement over the previous quarter and the period in the previous year.

We can start with an update on the power business, Standalone power business registered revenue of Rs.131.56 Crores in Q2 of FY2018 and reported profit of Rs.27.36 Crores at EBIT level in Q2 FY2018 as compared to profit of Rs.24.94 Crores in Q2 of FY2017.

Now moving on to the second business, which is ferro alloy business. The recent firmness in manganese alloy prices afforded a better value addition for captive power notwithstanding the increase in ore prices, to obtain better recovery of fixed costs, while the merchant cost scenario continued to remain subdued. The conversion of ferro chrome in Odisha yielded similar stability and value addition for the captive power. Standalone ferro alloy business registered revenue of Rs.197.83 Crores in Q2 of FY2018 and reported profit of Rs.14.95 Crores at EBIT level in Q2 FY2018 as compared to a loss of Rs.9.56 Crores in Q2 of FY2017.

Moving onto the sugar business, Standalone sugar business registered revenue of Rs.38.26 Crores in Q2 of FY2018 and reported profit of Rs.7.46 Crores at EBIT level in Q2 of FY2018 as compared to a profit of Rs.5.51 Crores in Q2 of FY2017. Sugar operations have been stable with firm prices of both sugar and ethanol providing the impetus.

The domestic operations have been supplemented by the O&M support service fees for the Zambian subsidiary, which was part of income for the reporting period. As such the Company posted better financials for the Q2 and H1 relative to corresponding periods in the previous year and the trailing periods despite the idle power capacity in Odisha and in Andhra Pradesh.

Coming to the international business, the Zambian coal and power project, which comprises 300 MW power plant and a coal mine. This is held by Nava Bharat (Singapore) to the extent of 65% while the balance is held by the Zambian government entity called ZCCM-IH. The Zambian subsidiary posted better performance in the mining division for the first half though the performance of 300 MW power plants was affected on account of scheduled and unscheduled plant maintenance works in both the units resulting in lower availability in Q2. The mining performance was also impacted to some extent in the quarter by depreciation of Zambian Kwacha against the US dollar, which affected the value of inventory, being carried by the mining division.

Coming to the power plant, the maintenance program of both the turbine and boilers have been advanced and undertaken, given that the units were put in to service almost a year ago during commissioning phase. You will recall that the synchronization of the first unit actually took place in July 2016 while the commercial operations took place in July 2017. So, so there is almost a gap of one year during which the units have been operating on and off under the EPC contractor control. So, it was felt that the maintenance program should be advanced to the current period while the grid upgradation works are still in the final stage. The Zambian Company could also take advantage of the EPC contractor's warranties during the defect liability period if there are any for these maintenance works, which are undertaken just now. The power station availability however could be lower till December as it is planned to take up the

maintenance program unit wise. The first unit maintenance program is just being completed and the second unit maintenance program will start sometime in mid-November, but what is more of relevance is that, the Zambia Company is assured of sustained off take by the local power utility from January 2018 and better performance post these maintenance works.

The systemic power reforms undertaken by the Zambia government and the power utility, which commenced two years ago and nearing completion by January 2018, are expected to stabilize the sector and strengthen the utility, which augur very well for the Zambia Company going forward and it is looking forward to your better trade cycle again.

Then coming to the integrated sugar project in Zambia. The integrated sugar project development is proceeding well with the environmental impact assessment study and detailed feasibility report nearing completion. Initial reports are positive and encourage the Company to initiate further development works, which are primarily aimed at seed farming although the investment commitment will happen after viability metrics and financing schemes prove satisfactory.

Coming to the healthcare enabled services, which the Company has undertaken through a step-down subsidiary in Singapore. The Company's foray into healthcare enabled services in Asia Pacific region is a step in the right direction in the service sector with minimal capital infusion. This is being achieved through the acquisition of majority stake in a cluster of companies in Singapore. The step-down subsidiary is in the process of obtaining exclusive distribution rights for a life style formulation from a Drug Major, which could provide the requisite platform for launch of these services soon. This is all from our side and now we open the floor for questions and answers.

Moderator: Thank you. Ladies and gentlemen we will now begin with question answer session. We take the first question from the line of Mohit Kumar from IDFC. Please go ahead.

Mohit Kumar: Good afternoon Sir! Is it possible to share the Maamba Collieries Limited revenue EBITDA and PAT for the quarter and what was the availability and PLF of the power plant in Q2 FY2018 and how do you see PLF availability from Q3 and Q4 can I expect on 80%, 85% availability from Q4 onwards?

GRK Prasad: I would answer yes for Q4. Actually the availability is going to be as expected that is 85% plus. Till the end of December or probably middle of December the maintenance program will continue so what we are looking at is roughly about 50% availability being there for Q2 that is for just about two months post the commercial operation date and for the next three months in Q3 as well.

- Mohit Kumar:** So 50% availability from July onwards right to December?
- GRK Prasad:** August let us say actually. Commercial operation date was on July 27, 2017.
- Mohit Kumar:** So the current quarter includes two months of operational Zambia?
- GRK Prasad:** That is right.
- Mohit Kumar:** Sir you spoke about the day it could be no defect liability does it mean that in the power plant there is some defect, which has been found or is that a routine maintenance.
- GRK Prasad:** We took over in July 2017 and the warranty period or the defect liability period as it is called started from that date for one year. But what we felt prudent is to have the maintenance program advanced on two counts. One the EPC contractor is still at the site and available with its full contingents the maintenance program could be undertaken with his full support and all supports of the OEMs. Secondly, the grid upgradation works of ZESCO are in the final stage. So we thought we could take advantage of these two and have the maintenance program advanced unit wise. For the first unit maintenance it took slightly longer time than was expected, but it is more or less done. We are putting the unit back into service in the next three / four days and the second unit maintenance will come in some time mid-November and will go on till mid-December. So in all we are talking about lower availability for two months in Q2 as well as for three months in Q3.
- Mohit Kumar:** The last question Sir how has been the payment experience from ZESCO for the last one year, which we have been updating.
- GRK Prasad:** Well as reported earlier we have had some challenges in terms of ZESCO maintaining the payment cycle, but that was expected because the local Utility and the government were pursuing a systemic reform program for the last few years almost to the day and they have had some political challenges in between and finally it has come to a point where the government has enforced the tariff revision program in its full space to all sectors including mining sector. But that took quite a long time and got completed only in last month i.e. September. So what it meant is that, the ZESCOs tariff would undergo a steep upward revision of almost like 50%, which actually puts the utility in a very, very solid position so that is one positive development. And yes; the payments from ZESCO, on account of these tariff revision program being not in place, got delayed and in fact the Government of Zambia came to the rescue of the local Utility by putting some money in place and we are pursuing with the government for getting the payment program on an even keel, which also could happen in a month's time given that the tariff revision is already in place there.
- Mohit Kumar:** Thank you Sir!

- Ravi Purohit:** Good afternoon gentlemen. Couple of questions. First, was there a steep increase in interest cost in the quarter? Between standalone and consolidated there is a difference of almost Rs. 60 Crores. Now is it that the interest cost for Maamba has been taken for the entire three months period whereas revenues are there for only one, one and a half month.... just wanted to understand because it looks too high and NBEIL will not have more than Rs. 4/5 Crores of interest cost for quarter, so just wanted to understand in terms of accounting whether interest becomes applicable for the whole quarter?
- GRK Prasad:** No the interest was taken only for two months actually we are talking about lower revenue than was expected and that is where the mismatch is occurring.
- Ravi Purohit:** But so both are for two months period?
- GRK Prasad:** That is right.
- Ravi Purohit:** Second question, domestic power spot prices have been fairly firm in the last two months how are we placed there and what is happening to our merchant power capacities in India?
- GRK Prasad:** Actually that is a very positive development so to say because if you recall we were having some challenges in terms of dispatch on account of unremunerative prices sustained on the exchange that got corrected to some extent, but actually the power dispatch really took place from September onwards and we have had a good run in terms of power dispatch and all our surplus power got dispatched.
- Ravi Purohit:** So basically it gives us good profits at least reasonable realizations?
- GRK Prasad:** Well September you can see that is already evident. so October also we hope would perform similarly.
- Ravi Purohit:** Did we have any short-term PPAs with any discoms or we are selling only on the spot basis?
- GRK Prasad:** We have participated in one short-term tender, which got floated by Telangana DISCOMs, but they were for limited time in the day and balance time we were putting the power on IEX. That tender actually is coming to an end by the month.
- Ravi Purohit:** And we have not been able to utilize the Odisha plant, which is 60 MW plant, which has not been running because of merchant power rates are not good.
- GRK Prasad:** Yes actually we are now putting that plant in to some kind of operative mode. We are just hoping that the rates will prevail probably. You will see that plant coming back into operations.

- Ravi Purohit:** So there is the new plant, which was commissioned three four years back, but has so far been completely shutdown.
- GRK Prasad:** Correct.
- Ravi Purohit:** So this will finally come into action?
- GRK Prasad:** Subject to the prices being sustained.
- Ravi Purohit:** Yes I am assuming that hopefully they will sustain for some time at least?
- GRK Prasad:** Yes.
- Ravi Purohit:** But anything that we have to give to the Odisha grid before we dispatch that or there is no compulsion now?
- GRK Prasad:** In fact they basically do not want any more power.
- Ravi Purohit:** They do not want power anymore?
- GRK Prasad:** Yes.
- Ravi Purohit:** Last question, we were planning to take some strategic decisions on some of the power assets or sugar assets in India any headway there or you can update us?
- GRK Prasad:** Nothing to report at this stage the opportunity is still on though, nothing to report at this stage.
- Ravi Purohit:** Finally can you just elaborate on this health enabled services what exactly is this and how does it fit into our overall scheme of things and what kind of businesses are we looking at in this space?
- GRK Prasad:** Well, to put it very simply this is services sector where our capital infusion will be very minimal, but what we see is a good upside especially in this service, but not specifically addressed to India or anything. So we are looking at countries where this service has certain premium. For example we are talking about this service in Singapore and Malaysia where we expect good revenue flow to happen. It might take about three four years, but what is more relevant is the Company's exposure to this business will be very minimal. Let us say \$10 million over a period of three to four years.
- Ravi Purohit:** And what kind of service are we talking here?



- GRK Prasad:** It is going to be different kinds of services, but to start with we are talking about services related to lifestyle formulation being procured and administered.
- Ravi Purohit:** Fair point. Thank you. I will get back in the queue.
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- Karthikeyan VK:** Sir various clarifications so please bare with me. First question is would you have sold around 15-16 Crores units in the two months in Zambia, in the two months?
- GRK Prasad:** let me tell you the one unit has been operational and two units for some time, but one unit has been steadily operating that almost like a 80-100MWs dispatch on an average.
- Karthikeyan VK:** What would have been the debt outstanding at the end of the quarter and the beginning of the quarter just for interest calculation purposes and what is the interest rate now?
- GRK Prasad:** You are talking about?
- Karthikeyan VK:** Zambia.
- GRK Prasad:** We started with \$590 million .On March 25, 2017 we paid \$30 million then and also paid another \$30 million in September 2017. The debt stands at \$530 million at this point.
- Karthikeyan VK:** \$530 million okay and you did not have to borrow anything for working capital I am assuming?
- GRK Prasad:** So far no.
- Karthikeyan VK:** And interest cost Sir?
- GRK Prasad:** Interest cost remains same, historically factored in the financial model at the rate of 6% plus hedging cost.
- Karthikeyan VK:** So we are still at 8% or lower Sir?
- GRK Prasad:** Well you could take about 8%.
- Karthikeyan VK:** Yes. Next question Sir why would the maintenance take four to five months or is it entirely an availability thing can you just clarify why the maintenance has been so prolonged?
- GRK Prasad:** Maintenance would take about month and a half that is the way the international practices go. In our case what happened was, we found some

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issues with the equipment behavior at the time of takeover, which we listed as punch list items which the EPC contractor was supposed to rectify over the next one year. Now that would have called for a shutdown or maintenance shutdown at some point in near future. So what we felt was that it is better that we address all the issues in one go rather than have another shutdown some time later that is why the maintenance program got slightly delayed I mean in the sense extended. Another factor, which induced us is that ZESCO's grid still is not fully stabilized in terms of the availability of both the circuits that we have installed. So we thought we would have this maintenance also while the upgradation issue also would be addressed by ZESCO in the next few weeks. We wanted that to be out of the way once we do the maintenance and we can actually have complete dispatch.

Karthikeyan VK: Is there any claim that is available to you under the contract with the EPC contractor because it seems that there is some loss of revenue on account of this so is there any kind of claim that is permitted under the agreement?

GRK Prasad: Not on consequential damages, but all the works are done by SEPCo's cost.

Karthikeyan VK: Is there any loss of revenue related claim that you have or that you can?

GRK Prasad: No, this is maintenance issue and we cannot have a consequential claim on this.

Karthikeyan VK: So from the January quarter onwards you expect the normal supply of 300 MWs to be fully operational right?

GRK Prasad: That is right.

Karthikeyan VK: And in terms of the mining revenues that you show Sir you also spoke about standalone showing the O&M services what would that number have been?

GRK Prasad: Standalone again is just about two month's service. We get a technical support fees as part of the total O&M cost and translates to something like 8 million on a full year basis.

Karthikeyan VK: And the contract would be between the Singapore and TTA? and MCL?

GRK Prasad: The contract is between the Singapore entity and MCL for O&M operation. We support the Singapore entity as a backhand provider for which this US\$ 8 million fees accrues to Nava Bharat Ventures on a standalone basis.

Karthikeyan VK: Yes, so what I am asking is some revenue booked at the Singapore entity level separately on top of this?

GRK Prasad: Correct.



- Karthikeyan VK:** That would be shown under others is it in terms of classification unallocated where would that be reflected?
- GRK Prasad:** Yes in the consolidated.
- Karthikeyan VK:** Sorry is it unallocated?
- GRK Prasad:** Yes! In the consolidated financials it is others.
- Karthikeyan VK:** It is others okay and in terms of mining the negative you are saying is due to what reason sir? I did not understand the explanation?
- GRK Prasad:** See in the quarter we had suffered a forex depreciation, which affected the inventory that has been carried by the mining division and which was meant for power generation.
- Karthikeyan VK:** Correct you had 1.7 million or some such inventory?
- GRK Prasad:** Part of it was used. Whatever was the balance that had taken this hit on kwacha depreciation. It was more a provision, which was to be accounted for under IFRS. That is why it impacted the mining division this quarter, but on an overall basis for the half year of course the performance was still positive.
- Karthikeyan VK:** Thanks very much. I will go back into the queue. Best wishes for the future Sir!
- Moderator:** Thank you. We take the next question from the line of Dhruv Muchhal from Motilal Oswal Securities. Please go ahead.
- Dhruv Muchhal:** Sir just one question probably two questions. First is on the short-term contracts, which we have entered so just to understand these contracts are only for interim period say from 9 to 12, say from 10 to some between not for 24 hours a day so how do you manage the power plant can its ramp down, so in such a way that you can enter into such kind of contracts?
- GRK Prasad:** To a point yes ,not a very wide range though, but that is why we are talking about dispatch of the power for the balance period through IEX.
- Dhruv Muchhal:** Because IEX prices will vary a lot say for example if they come back to say Rs.3 or say 2.5 and due to availability of the auction coal or imported coal, will there be any impact on the Company and how do you plan to manage it say for example IEX comes on tomorrow?
- GRK Prasad:** It is like this. What we are planning to do and what we have been doing is to have the power plant operated at a level, which would at least give some positive contribution over the variable cost. So the highest prices for the last

two months have behaved quite alright with whatever price we are talking about and so the grid and IEX combination is proving to be stable at this point. But you are right if the IEX prices go down a little then we probably have to look at it slightly different model where the power plant operations would be minimal for a certain point of the day especially in the night and then balance part could be after ramping up if such reductions possible within a range.

Dhruv Muchhal: Because I also understand we are hearing this from some of the other Companies that the coal prices in domestic market are increasing quite sharply because of domestic shortage how are you impacted with that?

GRK Prasad: For our 114 MWs we have auction linkage for the entire 100 MWs. So the auction linkage price is anyway stable with whatever limited premium that we committed. What you are talking about is the coal through e-auction there were some increases especially in Odisha, but in Andhra Pradesh or Telangana we have had no such increase actually. The other thing is we have also been using washery rejects that gives us some kind of stability in terms of fuel cost mix.

Dhruv Muchhal: Sir the washery rejects are the coal, which you got from coal India say SCCL and you put in your washeries is it or from third party?

GRK Prasad: Washery rejects are obtained from let us say Singareni Collieries.

Dhruv Muchhal: Second question was on the silico manganese and this market if you can give some highlight how the market is how it is trending?

GRK Prasad: Well one thing is that the prices seem to be stable for the last six months or so. In fact they moved up a little and then came down, but otherwise some stability is seen in manganese alloy prices. We are watching for some developments in China, which is the principal off taker of this manganese alloy, which could probably impact the prices going forward to some extent, but all in all the industry expects a stable price regime to continue through the year up to March with even the ore cost being not very volatile. There will be some increases here and there so it is not very volatile.

Dhruv Muchhal: We have been reading some reports that the manganese ore supply from some of the other countries have started to increase quite utterly so that should benefit us if I understand it correct?

GRK Prasad: No they did, but then they corrected also. We have actually put multiple sources of procurement, which puts us in slightly an advantage in that respect.

Dhruv Muchhal: Sure Sir! Thank you so much sir and all the best.



- Abhineet Anand:** Sir just on NBEIL what has been the performance in terms of sales, EBITDA, PAT and the unit PLF.
- GRK Prasad:** Are you talking about the quarter or for the half year?
- Abhineet Anand:** You can say for the quarter and a half year.
- GRK Prasad:** Yes, roughly about 50% is the PLF that unit has been operating it at.
- Abhineet Anand:** This is for the half year you are saying?
- GRK Prasad:** Yes quarter and half year are almost same.
- Abhineet Anand:** And in terms of the sales EBIDTA, PAT how has that been?
- GRK Prasad:** Let me just tell you NBEIL reported loss post depreciation. There is no cash loss, but we expect NBEIL to be under some stress because it is completely dependent on power off take by the distribution companies or merchant sales for example. For the half year the PLF was about 55% and the Q2 was about 54%.
- Abhineet Anand:** But with the merchant price improving can we expect improvement in performance in H2 of this year?
- GRK Prasad:** If the merchant prices are sustained at the current level I think yes.
- Abhineet Anand:** So starting September as you are saying the domestic spot prices will improve so two months I think Q3 would be going in a better fashion than Q2 right?
- GRK Prasad:** Should be... we hope so because the prices have been moving in complete range, but we hope yes the higher prices will sustain.
- Abhineet Anand:** And what has been the PLF for the plants at Telangana and Odisha along with the average merchant price?
- GRK Prasad:** Telangana and Odisha you see are captive power plants. We are supplying only the surplus power, which is over and above the captive consumption, which also ensures that at least 51% of the generation is consumed on captive consumption, but the PLF has been about 70% in Telangana works.
- Abhineet Anand:** 70%?
- GRK Prasad:** 70%. As far as Odisha is concerned it is about 64%.
- Abhineet Anand:** And this when you say 64% you are excluding the 64 MW.

- GRK Prasad:** I am talking about 90 MWs.
- Abhineet Anand:** In terms of ferro alloy the PBT number that we have got in the quarter, which is sustainable going forward or is it improved I think in the last few quarters?
- GRK Prasad:** See what was impacting the earlier quarters was dip in the manganese alloy profitability that seems to have corrected a bit I would say that five months operations it is an indication we think that EBIT level can continue.
- Abhineet Anand:** Okay thanks a lot Sir!
- Moderator:** Thank you. We take the next question from the line of Harshwardan Ks from MV Securities. Please go ahead.
- Harshwardan K:** Sir just few queries. Sir NBEIL we are selling it only in merchant sales now?
- GRK Prasad:** That is right.
- Harshwardan K:** And the average price will be around 4% to 4.5%?
- GRK Prasad:** About 4 net to us.th because whatever price that you are talking about average price of IEX is actually delivered price, which includes the state transmission charges, so we need to let them off. so we get about Rs.4.
- Harshwardan K:** And then Zambian plant, How much is the PLF of one plant which is operational?
- GRK Prasad:** One plant has been operating by about 50% to 55%.
- Harshwardan K:** And it will continue like that for the current quarter?
- GRK Prasad:** Yes.
- Harshwardan K:** And the other one is still on the operational? That is the one with maintenance?
- GRK Prasad:** Unit wise maintenance is being undertaken so Unit - I is being taken for maintenance and we will put Unit I into service and then take Unit - II for maintenance.
- Harshwardan K:** So in Q4 both the units can cross near 80%?
- GRK Prasad:** Correct 85% is possible.



- Harshwardan K:** 85% is possible and regarding the furnaces three out of four furnaces are only working for ferro alloy?
- GRK Prasad:** Manganese alloy.
- Harshwardan K:** Manganese alloy.
- GRK Prasad:** The fourth furnace also has become operational now at the end of October so we will have four furnace operations from November onwards.
- Harshwardan K:** That will be reflected in the numbers in the next quarter?
- GRK Prasad:** Yes there will be an increase in volumes based on that.
- Harshwardan K:** You said the 60 MW plant in Odisha is going to be operational soon?
- GRK Prasad:** There are certain issues in terms of metering and all those are being addressed. We have got the clearance for the open access. We would probably operate the unit once we are clear that the power rates will sustain for a reasonably longer period because once you start up and closure is very difficult.
- Harshwardan K:** The concern was that if there is an increase in coal prices will the plant still be feasible to operate?
- GRK Prasad:** That is also a concern for us, but we can probably use a mix of go through e-auction and washery rejects also.
- Harshwardan K:** Sir the average cost of production is still at Rs. 3 to Rs. 3.2 per unit of power?
- GRK Prasad:** The current e-auction prices it should work out about 3.50.
- Harshwardan K:** Rs. 3.50?
- GRK Prasad:** Yes.
- Harshwardan K:** Sir, what is the debt payment schedule of Zambia for the next quarter?
- GRK Prasad:** Every half year \$30 million.
- Harshwardan K:** Thank you.
- Moderator:** Thank you. We take the next question from the line of Manav Shah from Arjava Partners. Please go ahead.

- Manav Shah:** I want to ask you two questions one is on the Indian scenario, , power business any visibility on the payments?
- GRK Prasad:** We have not faced any difficulty in terms of payment because it is our tender. We had some issues in terms of payment, the compensation etc. The normal bills are getting paid more or less on time, I would say not on time, but it is about a month or two months delay.
- Manav Shah:** So we are expecting the receipts after bill on one month in Q3?
- GRK Prasad:** Yes.
- Manav Shah:** On the Zambian power plant side what will be the maintenance impact on the P&L in Q3?
- GRK Prasad:** In Q2 it is about 50% for two months and similarly for Q3 also it will be about 50%.
- Manav Shah:** Thank you so much.
- Moderator:** Thank you. We take the next question from the line of HR Gala from Finvest Advisors. Please go ahead.
- HR Gala:** I just wanted to know now from medium to long term what would be our overall growth strategy in ferro alloy, manganese alloy and the other areas that we are getting into?
- GRK Prasad:** Well! we see the manganese alloy or ferro alloy as a sustainable business. So that is one area, which we would like to concentrate from two angles one to put all the operating capacity to use so that all the fixed costs are recovered and two, the value addition for captive power seems more sustainable in captive use in ferro alloy production than on merchant sales. So we expect that scenario to continue as far as the Company is concerned. So, that is why we have put all these four furnaces in to operations now as s far as Telangana work is concerned and both the furnaces in Odisha are at full stream for Tata Steel that is one. Secondly, as far as the power is concerned the scenario is anybody's guess we are keeping our efforts on in terms of obtaining a medium to long-term contract for one of our subsidiaries that has 150 MW power plant, so if we have that contract say for three to five years then some degree of stability can be seen in overall business as well. These are the two principal businesses and the sugar operations have been on an even keel so far, in fact the prices still look firm at this point and we do not foresee much of a problem there, so that actually gives us an opportunity in terms of leveraging that experience in our Zambian sugar project once the basic viability metrics are through. So as a Company we are probably looking at sustaining the Indian businesses at this

level and see whether we could expand into this sugar overseas and the other business, which we have recently entered into is healthcare services with small exposure and we do foresee that services could throw up challenges and pleasant surprises as well I think. So we are looking forward to that, but that clarity or visibility of those things will emerge probably in the next six months.

- HR Gala:** In Zambia how much is the sugar capacity?
- GRK Prasad:** Actually the plant is proposed to be built in phases with distillery and the cogeneration plant and there will be some bit of captive farming as well. It is integrated fully.
- HR Gala:** And just one question what kind of capital expenditure one should expect in FY2018 and next couple of years?
- GRK Prasad:** Minimal I think it will be mostly ongoing excepting for this developmental work. We are not looking it beyond probably \$5 million or so.
- HR Gala:** So no other major project but this Zambian sugar project will be how much?
- GRK Prasad:** No the investment is yet to be finalized.
- HR Gala:** So it has not yet been finalized?
- GRK Prasad:** No the commitment is not yet finalized.
- HR Gala:** Otherwise the normal capex will be around \$5 million or so?
- GRK Prasad:** I am talking about for developmental work the normal capex here is probably not yet finalized maybe around Rs 30 crs that is for Indian operations.
- HR Gala:** And what about Zambian?
- GRK Prasad:** Zambian we do not have a requirement to put.
- HR Gala:** Fine. Thank you very much.
- Moderator:** Thank you. Next question is from the line of Mohit Kumar from IDFC. Please go ahead.
- Mohit Kumar:** Sir is it possible to quantify the impact of quarter depreciation on the mining during the quarter?
- GRK Prasad:** That is about \$1.3 million.



- Mohit Kumar:** What is the availability for the Zambian power plant, which required for us to recover our entire fixed cost or fixed part of the tariff?
- GRK Prasad:** Roughly at 70%.
- Mohit Kumar:** Is there any incentive built on the higher availability, higher PLF?
- GRK Prasad:** Above 85% there is an incentive that is built into the tariff.
- Mohit Kumar:** They refer the availability of PLF?
- GRK Prasad:** That is right.
- Mohit Kumar:** That is what the availability of PLF?
- GRK Prasad:** I am talking about availability not PLF.
- Mohit Kumar:** Thank you.
- Moderator:** Thank you. Well that was the last question I now hand the floor over to Mr. Abhineet Anand for his closing comments.
- Abhineet Anand:** Thanks everyone for attending the call. I would like to thank the management of Nava Bharat for giving us the opportunity to host the call. Thank you.
- Moderator:** Thank you. Ladies and gentlemen on behalf of SBICAP Securities Limited that concludes this conference. Thank you for joining us. You may now disconnect your lines.

