



MOIL Ltd.

Q1FY12 Post Results Conference Call
Hosted by IDBI Capital Market Services Ltd.

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Moderators

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- Moderator:** Ladies and gentlemen, good evening and welcome to the MOIL Limited Q1FY12 post results conference call hosted by IDBI Capital Market Services Limited. I am Ram the moderator for today's conference. We have with us Shri K. J. Singh, CMD; Shri M. A. V. Goutham, Director Finance; Shri A. K. Mehra, Director Commercial and Shri N. D. Pandey, Company Secretary for MOIL. As a reminder all participants' lines will be in listen only mode and there will be an opportunity for you to ask questions at the end of today's presentation. Please note that this conference is being recorded. I would now like to hand over the conference to Mr. Kunal Motishaw. Thank you and over to you sir.
- Kunal Motishaw:** Thank you Ram. Good afternoon everyone. On behalf of IDBI Capital, I welcome all the participants and the management to the Q1FY12 earnings call of MOIL Limited. I request the management to begin with the analysis of the results and thereafter we will open the floor for Q&A session. Over to you Mr. Singh.
- K. J. Singh:** Yes, very good afternoon. Actually this quarter financial year, that is quarter number one financial year 2011-'12, if you see the performance, the performance has been...the total production has been 2,39,527 metric tonnes and the total sales turnover is 211.21 crores and the profit before tax is 163.12 crores and profit after tax is 108.94 crores. So this is the financial jist of the quarter and if you compare...Actually what happened is if you see the prices, there is a reduction in the price of the manganese ore this calendar year right from January 2011 to first quarter of this financial year up to July 2011...there is a reduction of price of almost 35% to 36% and this has affected our financial performance. So if we see the last quarter's performance...first quarter of the last financial year, the turnover is almost 60% to 65% of the first quarter of the last financial year and similarly PBT and PAT is also 60% of the first quarter of the last financial year.

Question and Answer Session

- Moderator:** Thank you sir. Ladies and gentlemen, we will now begin the question and answer session. If you have a question, please press * and 1 on your telephone keypad and wait for your turn to ask the question. If you would like to withdraw your request, you may do so by pressing * and 1 again.

The first question comes from, **Mr. Jagdishwar Toppo from Enam Securities.**

- Nitesh:** Hi sir, good afternoon, Nitesh over here.
- K. J. Singh:** Very good afternoon Nitesh ji.
- Nitesh:** Sir you mentioned that we have cut manganese ore prices by 35% effective July correct?
- K. J. Singh:** Yeah.
- Nitesh:** So basically, if we have cut prices from July then why are this quarter...?
- K. J. Singh:** Not July...from January 2011 till July. In January there was reduction of price of almost 8%, then in March there was reduction of price of 15% and again there was a reduction of price of 12% to 14%. So total is 35% to 36% reduction in price from January this calendar year, in the last 7 months.
- Nitesh:** Okay sir. This last price correction 12% to 14% is effective 1st June right?
- K. J. Singh:** No, first July...our Director Finance will talk to you.
- M. A. V. Goutham:** Good afternoon. The price reduction was gradually effected from January 2011 onwards. In January we had reduced the ferro grade prices by 8% and again on 1st April we had reduced it by 15% over the prevailing price in March. Then in May we had reduced another 15% and on June 30th that is for the prices July 1st to September 30th another 5%. So cumulative if you take effect to compounded reduction comes to nearly 37% and otherwise if you see, just simply add it, it comes to 43%; so that is it.
- Nitesh:** Okay understood sir and Mr. Singh, basically what is the reason for such a weak outlook for Manganese ore crisis because when I compare with other resource prices let's say ferro chrome or iron ore for example, they are quite steady so basically can you tell us what is the reason why manganese ore market is so weak?

K. J. Singh: Actually what happened was, there was a very high demand in 2008-'09 or '07-'08. So everybody pooled all the resources and they have also gone for mining of manganese. They had purchased mines outside as well as inside our country also. Now, what has happened is in the entire world, the total requirement of manganese ore is 35 million tonnes whereas the total production of manganese ore has become 47 million tonnes. So there is a surplus production of manganese ore both within our country and outside our country also. In our country the total production last financial year was 2.24 million tonnes. Now it has increased to 2.82 million tonnes. So due to surplus generation, and more supplies the prices have gone down. Moreover the main consumer of manganese ore is steel. There is an increase in steel production by 16% all over the world, but in India it is 6%. Whereas increase in manganese ore production is 33% if you take the entire world and it is about 22% in India. So only due to surplus availability it has gone down. Moreover the present capacity addition of steel which is taking place in both brown field as well as in green field has not come to that extent. After three years the total production will go to that level and then again there will be scarcity of manganese ore.

Nitesh: Okay. So sir for the short term say next one year, you don't see this situation improving drastically...?

K. J. Singh: Yes I see, but this material is cyclic in nature. Suppose suddenly there is a demand such as in steel production then again it may go up; because our aim is to keep increasing the production. Ultimately as I have told you, this year our production will be 5% more than the last financial year that is 12 lakh metric tonnes that is 1.2 million tonnes. Whereas it will go on increasing by and by and by 2016-'17 we will reach to 1.5 million tonnes and again we have made a plan to increase the production up to 2.2 million tonnes by 2020. So there will be suddenly after two, three years when the full fledged steel capacity addition in our country takes place then again there will be a gap of demand and supply.

Nitesh: Sir, my last question is, one of your competitors Sandur Manganese, their mine in Karnataka got shut because of the Supreme Court order. So basically that production is out of the market. So based on that do you see in the short time some respite in manganese ore prices in India?

K. J. Singh: Actually what happens is their quality is not that good as our quality. See the iron percentage is very high; moreover the element content is low. So they were not a very good competitor for MOIL and there was no competition between

Sandur and MOIL. So I don't think that even if it is shut down it is going to impact much for us the availability or the requirement...it will not incur to that extent. Moreover because we are also approaching government also this year to increase the custom duty on the import of manganese ore. You see on Manganese ore the custom duty is hardly 2%...it is 2% only. So may be cyclic...we are hoping...of course we cannot tell you when the prices will start increasing or decreasing we don't know.

Nitesh: Okay thank you so much for giving the answers.

K. J. Singh: Thank you Nitesh ji.

Moderator: Next question comes from Ram Modi from Dolat Capital.

Ram Modi: Hello...?

K. J. Singh: Yes Modi ji namaste.

Ram Modi: Namaste ji. Sir can you tell me what's the sales volume during the quarter?

K. J. Singh: Sales in this quarter?

Ram Modi: Yeah.

K. J. Singh: Sales in this quarter was 221,000 tonnes and the total sales turnover is 211 crores and if you see the PAT is 109 crores and if you see PAT is about 50% of the sales turnover.

Ram Modi: Okay and what would have been our average realization sir?

K. J. Singh: Average realization is about Rs.8300 per metric tonne.

- Ram Modi:** Okay sir is there any shift in the mix which will happen during the next two quarters where we will be selling more high grade ore or the mix will remain same?
- K. J. Singh:** What happens is Modi ji it is like making of rice. If you make the rice, then the water content will come along with the cooking of the rice. So if you go for the high grade manganese ore, we see then the by-product the different grade also comes in. So that also we sell it. Of course the prices of high grade and ferro grade is much higher whereas the prices of the fines generated that is the by-product, fines or the lower grade the prices goes down. So if we increase the present capacity of high grade ore, which is about 7 to 8 lakh tonnes and the total generation this year, we are expecting 12 lakh tonnes.
- Ram Modi:** Okay. Sir what was the mix this quarter...if we can get a broad mix? How much was high grade, low grade and the medium grade of manganese ore?
- K. J. Singh:** I am handing over to our Director Commercial, he will give you the details item wise.
- M. A. K. Mehra:** This ore is produced basically in three categories. First is the ferro grade, second the silico grade and third are the fines. Ferro grade are those which are plus 35%, silico grade is 30% and fines is the lower sizes, size minus 3 mm.
- Ram Modi:** Okay so what would have been the mix this quarter sir in terms of ferro, silico and the low grade.
- M. A. K. Mehra:** Out of the total 2,20,000 tonnes what we have sold, 60% would have be the ferro grade, 20% would be the silico grade and about 15% to 20% the fines.
- Ram Modi:** Sir can we expect the same mix to continue for the next two or three quarters or will there be a significant change in this mix?
- M. A. K. Mehra:** What has happened is that this particular season is of rainy season, monsoon, so ferro grade availability may not be large. Once all the system gets stabilized the production of ferro grade will be on the higher side.
- Ram Modi:** Okay. Sir just wanted an update on our ferro alloy plant sin our JVs...how are they progressing?
- K. J. Singh:** As per schedule it is progressing. In between there was the problem of the high...the main furnace equipment supplier. Negotiation is going on with the main equipment supplier and it is expected that now there is a slight four or five month's delay and the (not clear) JV...the MOIL and SAIL JV is expected to be commissioned in August-September 2013 where RINL and MOIL JV is expected to be commissioned in July 2013.
- Ram Modi:** Any cost overrun sir on this project?
- K. J. Singh:** No as such there is no cost overrun
- Ram Modi:** Okay sir. Thanks a lot for answering my questions.
- Moderator:** Next question comes from Pritesh Puladia from RBS.
- Pritesh Puladia:** Good afternoon sir. Sir you spoke on global demand supply numbers can you repeat those numbers?
- K. J. Singh:** Yeah, there is a total requirement of manganese ore globally of around 35 million tonnes. Present production of manganese ore globally is 47 million tonnes. There is a surplus generation of 12 million tonnes.
- Pritesh Puladia:** From where this incremental supply has come...like specific countries?
- K. J. Singh:** Incremental supplies?
- Pritesh Puladia:** From where has this new supply come?
- K. J. Singh:** I will tell you, the new supply has been added in Turkey, Chile...actually the main producers of manganese ore earlier were only five countries that is – Australia, South Africa, Brazil and Gabon; but now about five or six countries have added productions of manganese ore among these main suppliers. That is Congo, Chile, Indonesia, Myanmar and Turkey.
- Pritesh Puladia:** Okay with this kind of excessive supply, do you expect that price would further fall?

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- K. J. Singh:** No, ultimately they will have to compare the cost of production also. So it has come to almost rock bottom. May be there is further correction of 5% to 6%, but beyond that I don't expect.
- Pritesh Puladia:** Okay so below that some of the capacities would be very expensive to operate...is that the case?
- K. J. Singh:** Then in South Africa, Australia, Brazil, they are also operating underground mines and 80% of production comes from South Africa. If they go further, it will become difficult for them. For that they will have to cut the production.
- Pritesh Puladia:** Okay. So MOIL would be the cheapest cost producer or who would be the cheapest cost for the manganese ore?
- K. J. Singh:** As of now we are the cheapest.
- Pritesh Puladia:** In the world?
- K. J. Singh:** In the world.
- Pritesh Puladia:** Okay, that's all from my side, thank you sir.
- Moderator:** Next question comes from Bhavin Chedda from Enam Holdings.
- Bhavin Chedda:** Good afternoon sir.
- K. J. Singh:** Very good afternoon Chedda ji.
- Bhavin Chedda:** Sir, three...four questions. First of all sir what will be your cash balance at the end of the quarter and what are the CAPEX plans for...?
- K. J. Singh:** Cash balance at the end of the quarter? Our PAT Chedda ji is 108 crores. Cash balance...just a minute; I am giving it to our Director Finance.
- M. A. V. Goutham:** Cash balance is almost 2000 crores.
- Bhavin Chedda:** Sir what is the capital expenditure plan for FY12 and '13?
- M. A. V. Goutham:** 117 crores. As of now we have currently proposed to the ministry to spend 117 crores but this is...As far as the Joint venture expenditure concerned, we are taking nearly 50 to 60 crores, but once the moment we finalize the order and other things, there is always provision to make the necessary adjustments by releasing additional resources if it is required. So 117 crores is the amount we have committed to the ministry.
- Bhavin Chedda:** Okay. And sir you said average realization was Rs.8300 a tonne; can you give us the realization grade wise, what was for the ferro grade, what was for the fines...?
- M. A. V. Goutham:** Actually that can be given. Generally what we will do is, product mix will be taken into consideration. If you want it grade wise...just one minute. Roughly grade wise...ferro grade we got Rs.11,600 in the current quarter. For silico grade we got around Rs.6340 and for the fines it is around Rs.3,150.
- Bhavin Chedda:** And sir how much is the manganese ore content in each of the grade if you can share that detail?
- A. K. Mehra:** Everything is plus 35 ferro grade. For silico grade 35% to 49.5% silico grade will be comprising mostly of 30% and some quantity of 25% and fines are the lower sizes which on an average would be at about 20% to 30% and minus 3 mm.
- Bhavin Chedda:** Okay. And sir what is currently the export duty on manganese ore and how much is the import duty? What is the duty in India like?
- K. J. Singh:** Import duty on manganese is only 2%. There is no exports.
- Bhavin Chedda:** There is no export duty?
- K. J. Singh:** No.
- Bhavin Chedda:** So do you export product also or everything is sold in domestic market?

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K. J. Singh: Everything we sell in the domestic market because this is the policy of the company, because ultimately steel is the net importer of the manganese ore, so our policy is not to export the manganese ore neither to give to traders.

Bhavin Chedda: Okay. Sir my last question is what is the royalty figure? Is it on a per tonne basis and how much is it?

M. A. V. Goutham: 4.2% is the duty...royalty.

Bhavin Chedda: 4.2% on the ex-mine price?

M. A. V. Goutham: Correct.

Bhavin Chedda: Okay thanks a lot and best of luck.

Moderator: Next question comes from Karan Gupta from BNP Paribas.

Karan Gupta: Good afternoon sir.

K. J. Singh: Very good afternoon.

Karan Gupta: Sir just one question. Could you please...last quarter you had mentioned that the inventory of manganese ore was at 191160 tonnes...could you give the inventory figure to us?

K. J. Singh: This quarter the inventory presently is 202,839 metric tonnes.

Karan Gupta: Okay. My other question is...could you give us some idea about the marginal cost of production for manganese ore globally?

K. J. Singh: Can you repeat the question?

Karan Gupta: Sir, idea on marginal cost of production on manganese ore globally.

M. A. V. Goutham: One thing is we do not have the figures of the global competitors. As far as our production cost is concerned what we are doing is, generally on the basis of the mines. Whatever cost we incur at the mine, we normally consider it as a variable, related directly to the production. And whatever depreciation head office over writes, and royalty only we will be taking as overheads. So now if you take that into consideration, the average cost of production at mine level it comes to around 2800 to 2900 in the current quarter. And if you take into consideration the other aspects like depreciations and head office overhead and also the royalty, it will be coming around another Rs.800 to Rs.900.

Karan Gupta: Okay, thank you sir.

Moderator: Next question comes from Abhishek Poddar from TATA Securities.

Abhishek Poddar: Good afternoon sir.

K. J. Singh: Very good afternoon Poddar ji.

Abhishek Poddar: Sir my first question is regarding the sales volume. You have mentioned that you have done 221,000. And sir last year you had done around 272,000 in the first quarter of FY11 and in the fourth quarter you had done 260,000. So is there any particular reason that we have a sales volume drop?

K. J. Singh: Because our prices were slightly more than the imported prices, so people were preferring to import or to purchase from our competitors. That is why it could not go. Now we are correcting the prices. Moreover this is the rainy season and this year because there was some less demand, so our fines could not be lifted. Due to non-lifting of the fines, our volume of sales went slightly down.

Abhishek Poddar: Okay sir. Sir, second question is regarding the target for the year FY12 which is 1.2 million tonnes. Sir we have till now done only 2.21 lakh tonnes so which means we have to do 1 million tonne in the next three quarters...?

K. J. Singh: Again the question is that everything depends upon the price. Our prices were...concentration of ferro players who consume the manganese ore is in Durgapur and Raipur. Even today if you compare FOR delivery at Durgapur, FOR dispatch at Durgapur, our prices are still about 6% to 7% more than the imported one. So those people could not lift. If you compare the price at Raipur, it is almost at par. So we will now have to slightly correct the prices further so that we can get better sales of the material.

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Abhishek Poddar: so sir in that case because if you had a lower number in the first quarter, do you want to revise your full year number target?

K. J. Singh: The total target is 1.2 million tonnes...whatever we produce, our target is to sell the same quantity.

Abhishek Poddar: Okay sir thanks. That's it from my side.

Moderator: Next is a follow up question from Pritesh Puladia from RBS.

Pritesh Puladia: Sir my question was the same, that when we have done the 2,20,000 sales this quarter, how do we do the 1.2 million? Even with 6%, 7% price erosion do you expect that we can do 3 lakh tonnes per quarter?

K. J. Singh: Yes sure. Earlier we were able to sell 3 lakh tonnes per quarter. There is demand for Ferro grade which they are importing, if we match the price of the imported one, or keep it slightly lower, then certainly our material will be able to get into the market and our target is...

M. A. V. Goutham: See just to supplement the clarification, the production is 2,40,000 tonnes in the current quarter; 2,21,000 tonnes is the actual sale. So as rightly pointed out, in the balance nine months we may have to produce another 10 lakh tonnes and the company is gearing up to produce almost the same quantity to reach the 1.2 million tonnes for the current year.

Abhishek Poddar: Yeah. I am asking for the sales volume, are we geared up to do the....?

M. A. V. Goutham: 2,21,000 tonnes we have sold in this quarter means there is some...because of the price reasons off take of some lower grade ores is not up to the extent what we initially projected but by making the price correction, we can easily sell whatever we produce.

Abhishek Poddar: Okay thank you sir.

Moderator: Next question comes from Ms. Priyanka Joshi from SKS Capital.

Ms. Priyanka Joshi: Good afternoon sir.

K. J. Singh: Very good afternoon Joshi ji.

Ms. Priyanka Joshi: Sir you have reserves of 814 hectares allocated by Maharashtra government. What is the update on that?

K. J. Singh: Actually we had applied for PL hardly we are successful, although we have put in about 500, 600 hectares; papers have already reached to the Bombay Secretary Mines. Balance we are expecting, we are expediting it. We expect in another one month the clearance for the 814 hectares to come. After we get the PL we will go for the exploration, after exploration we will go for the mining. There is a process, we are expediting it and we are ahead of our schedule.

Ms. Priyanka Joshi: Okay and sir update on the Gumgoan mine expansion which will be completed by H2FY12, any update on that?

K. J. Singh: Yes actually by November it will be commissioned and then from December, January we will start getting some additional material.

Ms. Priyanka Joshi: Okay so it will start contributing from January?

K. J. Singh: 60,000 to 1,10,000 tonnes per annum after the total completion of the project.

Ms. Priyanka Joshi: Okay. And sir what is your sales mix via e-auction and PSU and tenders?

K. J. Singh: Our Director Commercial will clarify. You kindly repeat your question.

Ms. Priyanka Joshi: You have a sales mix via e-auction and PSUs right?

A. K. Mehra: Yeah, we are getting the...earlier we had planned to add on certain sales of manganese ore in the e-sales but we are cutting e-sales of ferro manganese and manganese di-oxide as a whole. We have also included manganese ore, but now we have those manganese ore into direct sales.

Ms. Priyanka Joshi: Okay, that's all sir, thank you.

Moderator: Next question is from Ms. Mukta Desai from Centrum Wealth Management.

Ms. Mukta Desai: Good afternoon sir.

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- K. J. Singh:** Good afternoon Ms. Mukta Desai.
- Ms. Mukta Desai:** I had a quick question...if you could throw some light on when you expect the capacity addition in sales. You said it will be in the next two or three years?
- K. J. Singh:** Yeah. Actually presently there is an increase in the capacity addition only 6% in Indian steel whereas there is increase in capacity addition of 16% in global steel. And we expect in two, three years as per the Ministry of Steel and other government of India predictions that in three years it will be more than 10 million tonnes.
- Ms. Mukta Desai:** Okay sir. Now I am wondering, if as you said is the price being matched with the international prices right now?
- K. J. Singh:** Yeah, actually we calculate the landed net of morbid price...the main destination concentration of ferro manganese are in Durgapur and Raipur. So if we see the Raipur, almost the price is matching with the imported one landed net of (not sure) Raipur, whereas in Durgapur, there is still some need for correction of...
- A. K. Mehra:** Nearly neck to neck, but some sort of comfort...
- Ms. Mukta Desai:** Okay alright thank you.
- Moderator:** Next question comes from Chintan Mehta from Sunidhi Securities.
- Chintan Mehta:** Hello...?
- K. J. Singh:** Yes very good afternoon.
- Chintan Mehta:** Hello...one question regarding any plan about overseas acquisition, because we understand 2000 crores on your cash book and by year end rubbing more on 200 odd crores...more lying in the cash balance sheet even after 117 CAPEX. Any fruitful means of deploying those excess cash at this point of time?
- K. J. Singh:** Actually we have got after expression of interest we have received about seven, eight offers and we had scrutinized two offers after sending our engineers to study the type of ore available there and the reserve level available, and the price quoted by them. The prices quoted by one of the miners in South Africa was very high, so that ultimately did not get fructified and the prices quoted in Turkey is also very high. But we are scrutinizing another five or six offers also. We are trying for that and if we get at reasonable price, certainly we will go for that.
- Chintan Mehta:** Okay. And sir which market will you be more keen on if you answer geographically...?
- K. J. Singh:** Manganese also, we are keen for coal mine also, metallurgical coke and boiler coal, both we are interested. We are interested for chromite also; we are interested for most of the mines except for uranium, where we don't have expertise. Otherwise, chromite, manganese, or coal if we get these three then we can go for that.
- Chintan Mehta:** Thanks a lot sir, thank you.
- Chintan Mehta:** Next question comes from Jimesh Sanghvi from Avendus Securities.
- Jimesh Sanghvi:** Hi sir.
- K. J. Singh:** Singhviji namaste.
- Jimesh Sanghvi:** Namaste sir. Sir I just wanted to know the inventory of two lakh tonnes that is lying with us. Is it mainly of the fines or it will be more of the silico grade and the ferro grade inventory?
- K. J. Singh:** Our Director Commercial will reply to this.
- A. K. Mehra:** Mostly the medium grade and low grade and fines.
- Jimesh Sanghvi:** Okay can you just give a break up, maybe a broad percentage of something?
- A. K. Mehra:** You can go ahead with your questions; meanwhile I will try to get those figures.

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- Jimesh Sanghvi:** Okay fine sir, I think that's it from my side. Thank you.
- Moderator:** Next question comes from Kiran Chheda from Value Quest Research.
- Kiran Chheda:** Hello...Sir we were talking about some mines on the border of Maharashtra and which the Maharashtra government was going to allocate to us. Sir any updates on that?
- K. J. Singh:** They have already reserved the total 814 hectares of land. Those are adjoining our present mines. It is in Bhandara district and Nagpur district and we have already applied and 50% of the reserved land they have already cleared for PL and balance 50% they are trying and the file is with the Secretary Mines of Maharashtra. So we are expecting to get the PL by another one month and after we get the PL we will go for exploration, and after exploration we will go for mining. The procedure is slightly lengthy.
- Kiran Chheda:** When do you expect to start mining from that place?
- K. J. Singh:** Mining from that place it will take about two years.
- Kiran Chheda:** Okay sir, thank you.
- Moderator:** Next question comes from Tushar Chowdhury from Motilal Oswal.
- Tushar Chowdhury:** Hello...?
- K. J. Singh:** Chowdhury ji namaste.
- Tushar Chowdhury:** Yeah namaste sir. I just have one question. You said your production...incremental production from Gumgoan mine will start from January 2012. I think according to earlier schedule we were expecting in FY12 only for start of FY12...if I am not wrong.
- K. J. Singh:** Yeah because there was too much of influx of water while sinking the shaft, suddenly we encountered a huge influx of water that is why it slightly got delayed and finally we are commencing in November 2011. After commencing, by December, January we will start getting additional metals. There was a delay of six months.
- Tushar Chowdhury:** And sir, other major expansion in Dongri Buzurg and Balaghat are they are on track....?
- K. J. Singh:** Yes, yes they are on line, we have already given order for further expansion for the development of the open cast mines in Dongri and Balaghat also. We have presently two shaft, one is production shaft and the other is home shaft. Production shaft is going to be commissioned in one month and the home shaft we have already floated the tender and start getting the offer and finally we will place the order for further sinking of the home shaft for up to 14 feet level. Not only that, we are also going for the...because manganese ore has been proofed, the reserves has been proofed for more than 600 meters, but generally we are operating at 350 meters only. So further we are going for express high shaft for that also we are given the expression of interest and we have already given the consultancy to CMPDI.
- Tushar Chowdhury:** Which company?
- K. J. Singh:** CMPDI government of India...it is a subsidiary of one of the unit of Coal India Limited. They are experts in consultancy for the mines.
- Tushar Chowdhury:** Okay. CAPEX target you shared for FY12 is 117 crores. What is it for FY13 and '14?
- M. A. V. Goutham:** Actually what we have given earlier is, by 2015-'16 we want to spend nearly around 840 crores. In this, around 150 crores is going to joint ventures, around mine development and other things balance amount is going. Joint venture investment is 150 crores and balance amount is going to the mine development and expansion. So the entire expansion projects are going to be completed by 2015-16. So the capital expenditure what we have projected is in line with the plan what we have submitted earlier.
- Tushar Chowdhury:** Okay sir, thanks a lot and best of luck.
- Moderator:** Last question comes from Kartik Mehta from Sushil Finance.

- Kartik Mehta:** Namaskar sir. I wanted to know the domestic demand scenario of manganese ore – what is the annual demand and how is it growing?
- A. K. Mehra:** Domestic demand, we have already told that steel industry is growing. On a year on year basis...last year it has grown by about 66% but this year it is further going to go ahead and correspondingly the availability of manganese ore also has increased. So inspite of that the requirement of manganese ore keeps on growing. So we will be having a higher demand of manganese ore.
- Kartik Mehta:** So in terms of quantity if you can say how much is the domestic market size?
- A. K. Mehra:** Domestic market size will be somewhere around 3.3 million tonnes.
- Kartik Mehta:** And we supply our entire output to the domestic market?
- A. K. Mehra:** Yes we supply our entire output to the domestic market, but out of this 3.3 million tonnes what I have mentioned, about 0.8 million tonne is being imported also.
- Kartik Mehta:** Okay. Just wanted to know, you said our cost of production in terms of mining cost is roughly around Rs.3000 a tonne that is around \$65, so what would be the global average marginal cost of production? Below that it would be difficult for them to survive and they will cut the production.
- A. K. Mehra:** See two points you have to take into consideration. Number one, we are not specifically getting any figures with regard to the cost of production for Manganese ore alone. Nobody is publishing the figures. But earlier we also said the cost of production in the case of MOIL, because we are nearer to the end user, the logistic cost will be much lesser. But when you go to the global, irrespective of the production cost, they will also have the logistic cost because of the sea freight as well as the inland transportation cost. So there definitely there is a margin where MOIL is on an advantageous side. Second thing is what is the cut off point at which they will stop the production depends upon the...policy decision for them. It is very difficult for us to say...One more thing is, most of the people who are producing manganese ore outside the country, manganese is one of the products for them. It is not the only product. So they can always have the flexibility whether to continue or to stop. This is very difficult for us to say. They are not single product operators.
- Kartik Mehta:** See the prices are falling because of excess supply, so beyond a point there will be a stoppage in supply because you will not see the supply coming, even if the prices are falling continuously. So my point was that at what price you see the floor would come and supply would be rationalized to that extent.
- A. K. Mehra:** As you see now presently the price...the average realization what we are getting overall is around Rs.7800. Ferro grade we are getting Rs.11,000 odd and the import if you see, mostly they are going for the...people are importing the high grade manganese ore which they are presently getting at a landed cost of Rs.11,500. They cannot have more margins at this rate. They are selling at neck to neck rate. If further reduction of price is there, there is every possibility for (not clear) production by the foreign countries also. The same thing happened in 2009-'10 when the prices had fallen the production of manganese ore also had come down internationally. Again it has picked up in 2010-'11 only, '08-'09 there was good production, 09-'10 it has come down and again '10-'11 it has increased. So it is cyclical, I hope I answered your question?
- Kartik Mehta:** Yeah partly sir, not 100%. Sir on the quality of steel side we produce high quality of manganese ore I just wanted to know what sort of steel gets produced through these, I mean what quality that steel finds application on which sort of areas? There is a variation in the ore grade but the consumer....
- M. A. V. Goutham:** Typically what has happened that in the place of manganese based alloy, we are having two broad category. One is the ferro manganese and second is the silico manganese. Once you go for ferro manganese, in that case normally the ore which is being used is about 40% or 44%. There it goes in that category and this particular usage of ferro manganese in the areas of structural as well as high where it is required in rays and all. In the case of silico manganese, the lower grade take place and they are being used silico manganese amalgamation.
- Kartik Mehta:** Okay thank you very much.

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Moderator: Thank you sir. There are no further questions. Now, I hand over the floor to Mr. Kunal Motishaw. Sir you may go ahead sir.

Kunal Motishaw: Thanks Ram. On behalf of IDBI I would like to thank the management as well as the participants for taking the call. Sir any closing remarks Mr. Singh?

K. J. Singh: Thank you very much.

Kunal Motishaw: Thank you sir.

Moderator: Thank you sir. Ladies and gentlemen, this concludes your conference for today. Thank you for your participation and for using Door Sabha's conference call service. You may disconnect your lines now. Thank you and have a pleasant evening.