



MOIL Ltd.

Q4FY11 and FY11 Post Results Conference Call
Hosted by IDBI Capital Market Services Ltd.

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Moderators

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Q4FY11 & FY11 post results conference call transcript – MOIL Ltd.

- Moderator:** Ladies and gentlemen good day and welcome to the MOIL Limited Q4 FY11 post results conference call hosted by IDBI Capital Markets Services Limited. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions at the end of today's presentation. If you should need assistance during the conference call, please signal an operator by pressing * and then 0 on your touchtone phone. Please note that this conference is being recorded. I would now like to hand the conference over to Mr. Kunal Motishaw, thank you and over to you sir.
- Kunal Motishaw:** Thank you Faisal. Good afternoon everyone. On behalf of IDBI Capital, I welcome all the participants and the management to the Q4 FY11 earnings call of MOIL Limited. First the management should begin with the analysis on the results and thereafter we will open the call for the Q&A session. Over to you Mr. K. J. Singh sir.
- K. J. Singh:** Actually if you see our financial year performance, we have done exceedingly well. If you compare with the last year, our production is 5.24% more than the last year production. Our sales turnover is 18% more than the last year sales turnover. This year, we have achieved 1139 crores. Our PBT is 24% higher than the last year PBT that is around 880 crores and our PAT is 26% higher than the last year that is 588 crores. We have declared dividend of 70% and out of 70%, 25% we have already given paid interim dividend and balance 45% we shall be giving the final dividend and the company's all round development is there except, there is some pressure on the price part of the manganese ore.
- Moderator:** Thank you very much. The first question is from the line of Neha Manpuria from JP Morgan. Please go ahead.
- Neha Manpuria:** I have two questions. First sir, given your first quarter price decline that you announced, how are you looking at second quarter pricing trends given April and May are already behind us. Do trends still continue to show weaker pricing trends or this seems to have stabilized?
- K. J. Singh:** This price will be valid up to April-May, April-June and after June, we expect increase in the price because due to monsoon because generally in July-August, trend has been increasing the price and moreover investor should not worry because of course there is a downtrend in the price, but we shall be able to make it up by enhancing the volume of production and there should not be any worry for us because our sales turnover if not better than at least will not be lesser than this year sales turnover.
- Neha Manpuria:** Sir the reason I am asking that is usually your first quarter prices are based on global pricing trends in January to March period and given April and May have been weak. So should we assume that prices would be weak in the second quarter or not so much the prices, the realization should be weak in the second quarter or you see realizations improving?
- K. J. Singh:** I do not think because during monsoon season, most of the mines all over the world are opencast mines and opencast mines, the production goes down everywhere. If the production goes down, their availability becomes slightly less. So there is no pressure on the price. Moreover, most of the mines out of 10, 7 mines are underground mines whereas we do not have that much problem of production because hardly 3 mines are opencast mines. So I do not find that much pressure in second quarter, I mean quarter beginning from July, August, and September.
- Neha Manpuria:** Sir when I look at your sales volume number for the fourth quarter, it was slightly lower than my expectations. Have you seen some sort of a slowdown in the domestic market also?
- K. J. Singh:** Actually what happened. In the fourth quarter, if you see our production is alright. It is due to slide in the price, the material could not be sold to the market, but we are considering that in the future there will not be any problem.
- Neha Manpuria:** So have you seen this trend continuing into the first quarter or the demand is back to its normal levels?
- K. J. Singh:** We expect demand will be back to normal level beginning in the second quarter.
- Neha Manpuria:** So you have not seen any decline or reduction in the purchases from the steel mills?
- K. J. Singh:** There is no decline.

Q4FY11 & FY11 post results conference call transcript – MOIL Ltd.

- Neha Manpuria:** Okay and my last question is on your CapEx plans, just wanted to get a sense, I know that Gumgaon mine is coming from the second half of this year. How much production would that add and also what is the quality of that mine, the production that is expected.
- K. J. Singh:** The production is expected to be double in Gumgaon mine after it comes full fledged and the quality is also very good because we are going down and down and down and down generally the quality is very good.
- Neha Manpuria:** Okay got it sir, thank you so much sir.
- Moderator:** Thank you. The next question is from the line of Rishi K from India Capital Fund. Please go ahead.
- Rishi K:** Sir how much is the improvement in Output per Shift Man that is the first question and how much is the growth in ad on net worth in percentage terms if you can explain that and last year, you did two agreements with SAIL and RINL. What is the status of those agreements right now, those joint ventures basically?
- K. J. Singh:** Actually both joint ventures are going on track. First with Steel Authority of India Limited where the price of main equipment have already been opened and now that we are expecting the order to be placed in another one month and this is on the track and for Vizag Steel Plant, MoU that is also on the track. There opening of the price bid also be taken up shortly
- Rishi K:** Will there be any output from that in this financial year sir?
- K. J. Singh:** No, not this financial year. Output will start from the beginning of the calendar year 2013.
- Rishi K:** Okay thanks.
- Moderator:** Thank you. The next question is from the line of Avinash Gupta from Globe Capital. Please go ahead.
- Avinash Gupta:** Just wanted to understand this Q4 numbers, what is the position and going forward you said that we will be able to increase our production and we will be able to maintain our sales. Does it mean that the margins will be under pressure whole of the next year?
- K. J. Singh:** Yes, there will be as per the present pricing which I do not think to be continued in the same manner. There will be some pressure on the price, but our investor should not have concern as we have already planned. 2010-11, of course we had produced 1150,000 tonnes of manganese ore, but we could sell only 1 million tonne and we could get a turnover of 1149 crores. This year, our plan is to produce about 12 lakh tonnes. Moreover we have inventory of 180,000 tonnes. So we will be able to sell more than 13 lakh tonnes of manganese ore and actually we will be able to achieve if not better, at least whatever turnover we have achieved this year that we are sure to achieve and moreover the prices from the second quarter onwards are expected to increase.
- Avinash Gupta:** One more clarification. The prices are coming under pressure primarily because of the supply measures gone up or the demand is gone up?
- K. J. Singh:** As far as demand is concerned, demand is same, but the production has slightly increased world over.
- Avinash Gupta:** But do you think that globally the production is going up?
- K. J. Singh:** Globally, production has gone up. In India, there is an increase of production of 3 lakhs tonnes because there is addition of one mine of the Adhunik Group they have added 3 lakhs in the production group of manganese ore. South Africa and Middle East, there is some increase in the production of the manganese ore.
- Avinash Gupta:** Is the manganese ore production is going up at a sharper pace than the demand?
- K. J. Singh:** Demand is also increasing, but not as that of supply
- Avinash Gupta:** At the moment the production is going up at a sharper rate than the demand, therefore going forward probably in 1st Quarter we will have the pressure on the prices?
- K. J. Singh:** What happens in the monsoon season generally, opencast mines production goes down and most of the mines available in the world and in India except ours that is Manganese Ore India Limited in India, all are opencast and opencast production in the monsoon season goes down so that advantage is with us.
- Avinash Gupta:** Okay fine, that was excellent, but that advantage is only for to 2 to 3 months or 4 months may be?

- K. J. Singh:** 4 months yes.
- Avinash Gupta:** But thereafter the prices will continue to be under pressure, is that a fair assumption?
- K. J. Singh:** It is majorly cyclic in nature generally from price starts picking up from second quarter because this has been the trend and moreover we are going to increase supply at least 30%. We are going to increase our production to make up the reduction in price of 20%.
- Avinash Gupta:** Your production from 11.5, you said you will be going to 12 lakh tonnes?
- K. J. Singh:** 12 lakh tonnes and moreover we have inventory of 180,000.
- Avinash Gupta:** But that is where we already produced.
- K. J. Singh:** So we are expecting to sell, at least there will be sale more than 1.3 million tonnes. This year we could sell 1 million tonne only.
- Avinash Gupta:** So we have got 12 lakh tonnes of production and 1.5 lakhs tonnes of inventory that we have?
- K. J. Singh:** Yes 12 lakh tonnes production and 1.8 lakhs tonnes inventory we have.
- Avinash Gupta:** Thank you sir.
- Moderator:** Thank you. The next question is from the line of Bharat Subramaniam from Sundaram Mutual Fund. Please go ahead.
- Bharat Subramaniam:** Sir in terms of the Gumgaon mine, what would be the peak production and where are we at this point of time?
- K. J. Singh:** The peak production now, we have almost completed sinking and development is going on. After development is complete within 2 to 3 months, we will start getting production from that mines. Production is still continued in the interim, but it will be double after getting fully operational.
- Bharat Subramaniam:** Last year that mine would have delivered around 40,000-45,000 tonnes?
- K. J. Singh:** We are expecting 75000 tonnes from Gumgaon mine.
- Bharat Subramaniam:** And peak should be around 1 lakh tonnes as what we targeted initially right?
- K. J. Singh:** Yes.
- Bharat Subramaniam:** And once Gumgaon has done, the next leg of growth comes only towards 2014 and all the other projects kick off, am I right sir?
- K. J. Singh:** It is mostly underground mine and we are thinking another shaft sinking also in order to the underground is developed properly. So that is why our plan is for all these 10 mines, either we are developing all the 10 mines, either we are deepening the existing shaft and thinking another shaft and even in the opencast mines, we are doing a very massive development. So thereby 2014, 15, 16, we could achieve 1.5 million tonnes and by 2020, we will achieve 2 million tonnes of production. So Full fledged we are going for development. Moreover we have earmarked about Rs. 1200 crores for development of these mines. Not only that, I think during our interaction, we had intimated you that the Government of Maharashtra has already reserved 814 hectares of manganese bearing land. There also, we have applied for PL and we are expected to get the PL by another 15 to 20 days. Then we will go for exploration and then mining will be there. So we are doing within our country, we are getting at least 30% mining lease of our total mines.
- Bharat Subramaniam:** So for example in case of the Dongri Buzurg opencast mine, we were looking to take up production from 350,000 tonnes to 560,000 tonnes towards 2014. So would this be a gradual increase in volume or most of it would be....
- K. J. Singh:** Every year, we will go on increase. It is always gradual.
- Bharat Subramaniam:** In case of the Dongri opencast mine, where would we be at this point of time in terms of development and production rates?
- K. J. Singh:** Development is going at a very fast rate and we have started getting the result also and we are expecting that the full production of 5 lakh tonnes will start getting from 2015 onwards.

Q4FY11 & FY11 post results conference call transcript – MOIL Ltd.

- Bharat Subramaniam:** Okay fine and do we do any export sir?
- K. J. Singh:** No, that is a policy of our company that neither we supply manganese ore to traders nor will we exported because as there is domestic demand too much and the country's total net importer.
- Bharat Subramaniam:** Okay sir, thank you.
- Moderator:** Thank you. The next question is from the line of Crystal Barretto from ETIG. Please go ahead.
- Crystal Barretto:** I just wanted some clarity on the numbers actually we have done our own calculation, but could you give me what is your sales, EBITDA, and PAT for the fourth quarter specifically?
- K. J. Singh:** Our Director of Finance will reply.
- Management:** With regard to fourth quarter. The current year that is 2010-11; there is hardly any reduction in the turnover because almost we have got 253 crores in the third quarter and 251 crores in the fourth quarter. As far as profitability is concerned, because of some year end adjustments, profit before tax has increased to almost 11 crores vis-à-vis the third quarter. So results of the fourth quarter compared to third quarter is very **much in line** , but as you rightly said during the fourth quarter we adjusted the prices to some extent and the average realization per tonne has come down in respect of the manganese ore, but that is compensated because of higher volume of sales in the fourth quarter and now coming to the next year that is 2011-12, first quarter there is a substantial reduction of nearly 23% in the manganese ore prices.
- Crystal Barretto:** There is a substantial, I am sorry I did not get this, substantial?
- Management:** Reduction. In the current quarter.
- Crystal Barretto:** Yes we were also looking at prices, I think last year it was something around....
- Management:** As our CMD has already clarified the current year 2011-12, the quantity available for sale will increase by almost 30% compared to last year sales. Last year, we sold 1 million tonnes. This year, we are planning to sell 1.3 million tonnes. Whatever reduction in the prices what we affected now it may be increase in the volume and as far as pricing is concerned, what we assume is now with the latest reduction made in April, now almost brought our prices on par with the international market and the indications are that now the existing price level is almost at the bottom level and now there will not be any further reduction. There is a possibility of improvement in the prices, but not any reduction. So this is the expected projection for the next year.
- Crystal Barretto:** So specifically about the currency ongoing in the next quarter that is what we are into now in quarter 2, what is your outlook on the prices?
- K. J. Singh:** We have already reduced the prices in the first quarter by 23% compared to the last quarter. As far as the July quarter is concerned, we do not expect any reduction because the monsoon seasons, normally the availability of the ore will not be in line with the demand. So prices will either harden or at least maintain at the same level.
- Crystal Barretto:** So you are looking now that for any further reduction?
- K. J. Singh:** Do not expect any further reduction.
- Crystal Barretto:** Should be along the same levels in the next 2 quarters?
- K. J. Singh:** Yes.
- Crystal Barretto:** Alright, thank you.
- Moderator:** Thank you. The next question is a follow-up question from the line of Rishi K from India Capital Fund. Please go ahead.
- Rishi K:** As you have said that you reduced your price by around 23-24%, not even a single notice has been given to the BSE or any of the shorter change that you have reduced the prices like aluminium and the other guys like PSU used to give a notice to the shorter changes that they are going to reduce the prices of their products?

- K. J. Singh:** This is our normal practice. We keep on adjusting the price to be in the market and to be the leader in the market. We have a quarterly pricing system and we upload on the website. So it is clear, it can be seen by everybody.
- Rishi K:** So how often you upload the same if somebody wants to....
- K. J. Singh:** Every quarter religiously by first week of the quarter. Suppose it was uploaded by first week of April, then it will be uploaded on the first week of July, then first week of October, and then first week of January.
- Management:** To be more specific to your question, the price adjustment is in the case of MOIL, every quarter we are going to change the prices and all our customers know this. As a trade practice, we are changing every quarter, but certain times if it is necessary, we will also make an in between both ways either by increasing or reducing, but the situation is not frequent, but every quarter, our customers know that we are changing our prices.
- Rishi K:** And do you have any strategy to reduce the costs also because your CMD has said that the top-line will increase, but there is a less chance of increasing the bottom line in end of H1?
- Management:** As far as cost of production is concerned, number one our production is going to increase from 11.5 lakh tonnes last year to 12 lakh tonnes that is production is going to increase and time and again what we said is 50% of our total cost is on account of the salaries and wages which are bound by 10 years wage agreement. The balance 50% cost most of the amount is on account of the royalty which anyway is going to the customer, but the general inflation trend on account of the increase in the fuel prices and other things which is going to have on our prices and on cost of production, but we hope that it will be compensated by the price revisions in the gradual phase.
- Rishi K:** Okay sir, thanks.
- Moderator:** Thank you. The next question is from the line of Vishal Gajwani from Reliance PMS. Please go ahead.
- Vishal Gajwani:** Sir can you please give me the data on pricing as in what was the price in Q4 and what is the price in Q1?
- K. J. Singh:** Let me tell you in brief. Actually this year, the achievement was marvelous so far as MOIL is concerned. This year, our production also increased from the last year by 5.24% and sales turnover increased by 18% and PBT increased by 24% and PAT 26%. We have declared dividend of 70%; out of 70%, 25% we have already given the interim dividend and 45% we shall be giving the final dividend and the company is doing good. Yes so far as price is concerned, there is some pressure from the international markets and that is why in the first quarter, we had to decrease the price by around 23% to match the international manganese price. Otherwise we were not generally matching with international manganese price because actually last year if you see, though we could sell hardly- by selling only 1 million tonnes, we could achieve sales turnover of 1139 crores whereas this year our plan is to produce 12 lakh tonnes and we already have an inventory of 180,000. So we will be able to sell more than 13 lakh tonnes of manganese ore. Also there will be increase in volume of sales by 30% whereas the price pressure will be about 20%
- Vishal Gajwani:** So sir if my understanding is correct, your price is decreased, was 23% from Q4 to Q1, but how was the price movement for example over the last 4 quarters for the last financial year from Q1 to Q4, how did the price move during that period?
- K. J. Singh:** Our average realization in the first quarter was Rs. 11,645 per metric tonne; second quarter, 11,786 per metric tonne. There was an increase in the second quarter. Again, there was decrease in the third quarter that is Rs. 10,025 per metric tonne. This is also because of the product mix because sometimes we sell fines more of which the value is very lower and sometimes we sell the ferro-grade where the price is lower and then if you see the fourth quarter, fourth quarter average price is Rs. 9350 per metric tonne.
- Vishal Gajwani:** And what is the selling price currently sir?
- K. J. Singh:** This quarter, we have reduced the price by 23%. Overall 23% price reduction is there in this quarter. It is the bottom price, after that monsoon starts, so generally the price starts increasing.
- Vishal Gajwani:** So we have reduced price on the basis of 9376, so 23% lower than 9376.

- M.A.V. Goujtam:** Not necessarily like that because 9376 is the average realization what we got. 9376 is the avg price realization because also the product mix. So the fourth quarter incidentally what happened, the volume of the best grade of ore is relatively less compared to the fines where our realization is less. So 9376 is only indicative, it is not that straight away 23% from 9376 will reduce, number one. Number two even if you take the rock bottom realization of 9376, the current quarter reduction is 23% average. As already informed to you the quantity available for sales in the current year is going to increase by 30% compared to last year. If you see our overall sales realization turnover, the price reduction is going to be compensated by the volume of quantity available for sale. So we can expect if not better at least on par in value terms.
- Vishal Gajwani:** And sir also I wanted to understand right now after the decrease of price by 23%, what is the premium or discount to the international manganese ore?
- A. K. Mehra:** As far as international prices are concerned, we are nearly at par with the international prices. The international prices would also vary because the buyer who is located near the port, to him the international prices are lower whereas the buyer who is located far away the port like in Raipur sector, the acquisition prices are higher to him. Nonetheless, overall our prices are nearly at par with international prices.
- Vishal Gajwani:** And sir if you can throw some light on the movement of international prices of iron ore, manganese ore. I wanted to understand because most of the other commodity prices are going up including iron ore. So why is that manganese ore prices are coming down?
- A. K. Mehra:** Reason is very simple because in terms of manganese ore, about 94 to 95% of manganese ore production goes directly or indirectly in steel making. You see world over, steel production has gone up by 16% whereas correspondingly the manganese ore production has gone up by slightly higher than that and since the availability of manganese ore is higher, the prices are under pressure.
- Vishal Gajwani:** Is it that we are in a surplus situation for manganese ore?
- A. K. Mehra:** Cannot say surplus situation because after all manganese ore availability, it was under the category of scarce. The reserves are not that large all over the world, but still because the requirement is very small in terms of 1 tonne of steel, you require about 30 kgs of manganese ore or nonetheless there is slight excess availability of manganese ore. That is the reason why the prices are under pressure.
- Vishal Gajwani:** And sir which are the big countries which are producers of manganese ore globally?
- A. K. Mehra:** Globally South Africa is there, Gabon is there, Australia is there.
- Vishal Gajwani:** And so China will be a biggest importer of manganese ore?
- A. K. Mehra:** China is a major importer of manganese ore. They import at an average 1 million tonne per month and today their port inventory is somewhere about 3.75 million tonnes.
- Vishal Gajwani:** So despite the fact that China is not dumping, even then we are seeing some pressure in manganese ore prices.
- A. K. Mehra:** China will not dump. The China requires by themselves because their steel production...
- Vishal Gajwani:** Sir my question is China in the past has been seen to not work judiciously in terms of pricing and it may dump. So far as Australia and South Africa are concerned, these have always being prudent countries and they have not dumped commodities so as to reduce the price. So why is it that the price movement is so sharp for manganese ore on a quarterly basis, it is coming down by such a high percentage point?
- A. K. Mehra:** It is a temporary phenomenon, it happens always prior to the monsoon season, but it is not a matter of worry at all.
- Vishal Gajwani:** So can we assume that incrementally say for example over the next 6 months or one year, the prices can again go back to the levels that we have seen over the last one year?
- A. K. Mehra:** It can vary. It again depends upon the demand and supply situation.
- Vishal Gajwani:** And sir you pointed out the volume growth for this year which is going to be very good at around 30%, but what kind of volume growth target are we looking at over a longer period. For example till FY15, what is the kind of.....?

Q4FY11 & FY11 post results conference call transcript – MOIL Ltd.

- K. J. Singh:** Presently we are at the level of 1.15 million tonnes. Last year, it was 1.1 million tonnes, now it is 1.15 million tonnes, next year will be 1.2 million tonnes, and gradually it will go to 1.5 million tonnes by 2015-16. By 2020, it will be more than 2 million tonnes that is our target. That is our expansion plans for the mines.
- Vishal Gajwani:** And sir within that, you also said that the grades of manganese ore are different, you have good quality and the fines also. So do you have beneficiation policies wherein you will beneficiate the fines and then sell or how is it?
- K. J. Singh:** Actually we have 3 grades mostly. It is ferro grade, silicomanganese grade, and fines. So our target is to increase the production of ferro grades because ferro grade fetches very good price. So our target is always to increase the ferro grade and fines are mostly byproduct, it itself generated. So fines also get generated and we sell fines also.
- Vishal Gajwani:** So what is the mix right now for all the three products in the last financial year FY11?
- K. J. Singh:** For example, out of 1.15 million tonnes, about 7 lakh tonnes is ferro grade, 2.5 lakhs is silico grade, and 1.5 to 2 lakhs is fines.
- Vishal Gajwani:** So incrementally the ratio will remain the same or it will drift away?
- K. J. Singh:** sometimes vary. So for example sometimes the ferro grade goes very high and the less generation of fines because fines are a byproduct. We do not produce it intentionally, it is produced automatically during mining some fines are generated. So that is not fixed, but we target on ferro grade production and silico grade production. Fines are automatically produced.
- Vishal Gajwani:** But this ratio on a yearly basis should more or less remain same?
- K. J. Singh:** More or less remain same yes. Our fines production varies from 1.5 lakhs to 2 lakh tonnes.
- Vishal Gajwani:** Any plans to convert this fines production and beneficiated before selling it?
- K. J. Singh:** Actually what happens we produce that is known as ROM of mines. That we mine from underground and from opencast also that is brought on the surface, then it is sent for crushing, grinding. There is a very good manganese ore beneficiation plant and all the ROM pass through that manganese ore beneficiation plant, then different grades are separated differently and then fines is also generated. So we get ferro grade and fines and in some cases, it is silico grade and fines.
- Vishal Gajwani:** So these fines cannot be further beneficiated into better quality products?
- K. J. Singh:** Yes. What happens is because there is a good market for the fines, the ferroalloy manufacturers purchase the fines they make in the form of some cake and then there is charge to the furnaces.
- Vishal Gajwani:** Great, thanks a lot sir.
- Moderator:** Thank you. The next question is a follow up question from the line of Rishi K from India Capital Fund. Please go ahead.
- Rishi K:** We just wanted to make a small request. If you can just put a transcript of this conference call on the website.
- K. J. Singh:** Okay, we will give. Sure.
- Moderator:** Thank you. The next question is a follow up question from the line of Paresh Jain from Max New York Life Insurance. Please go ahead.
- Paresh Jain:** Sir what you have stated previously was the average realization during the quarter if I am correct. Can you also give a sense as to what is the sort of price decline that you would have witnessed for a particular product, let us say a ferromanganese grade or silicomanganese grade sort of ore products during the previous quarters?
- K. J. Singh:** For ferro grade, there is a price decline up to 23%.
- Paresh Jain:** That is in this 1Q now?
- K. J. Singh:** Yes this first quarter and for silico grade, 12% and for fines, there is no price reduction.

- Paresh Jain:** And this year you are targeting that your sales volume will increase by 30% is that what you are saying?
- K. J. Singh:** Yes. This year, we are able to sell about 1 million tonne that is 3 lakh tonnes and this could achieve a turnover of 1140 crores, but in this financial year 2011-12, our target of production is 12 lakh tonnes. We have inventory of 180,000 tonnes. So our target of sale is more than 13 lakhs, 1.3 million tonnes so the 30% will be the increasing the volume of sales.
- Paresh Jain:** But my point is that when steel production is expected to grow at a rate which is much-much lower than 30%, so how do we intend to sell the incremental volumes?
- K. J. Singh:** Our Director of Commercial will reply.
- Paresh Jain:** My point is that we are not exporting manganese ore and steel production is expected to grow by 10% only within the country. So how do you intend to sell this 30% incremental ore?
- A. K. Mehra:** Right now the steel production even if you see it will be plus 60 million tonnes in a year about 65 million tonnes. So for that particular 65 million tonnes, we requiring somewhere about 2.8 to 3 million tonnes of manganese ore and we are producing in the country itself. If you do not import material, domestic product will get push up to the ferroalloy producers.
- Paresh Jain:** So what you are saying is that imports will reduce within the country and you will be catering to that demand?
- A. K. Mehra:** If suppose we have to push it, it has to be at the cost of imported material.
- Paresh Jain:** So what is the current requirement of manganese ore within the country and what is the import and the domestic mix like?
- A. K. Mehra:** The current requirement of manganese ore, it is somewhere about 2.6 to 2.7 million tonnes, but the imports are there at about 0.9 million tonnes. That is being basically converted into ferroalloy and it is getting exported.
- Paresh Jain:** But these imports are generally of what grade, silico grade?
- A. K. Mehra:** High grade, not silico grade all are....
- Paresh Jain:** So again my point is that the 30% incremental volumes will actually include the silico grade as well as the fines also?
- A. K. Mehra:** There will be an overall increase.
- Paresh Jain:** No, because the point is that any incremental volumes that would take place within the country will not entirely substitute the imports that are coming because imports are of high grade where we will not be increasing our volumes only for the high grade, but also for the low grades also.
- A. K. Mehra:** Having inventory of high-grade as on date also, we are also anticipating because manganese ore we have three basic broad categories first the ferro grade ore, second is the silico grade and third is the fines. Silico grade is about 30%; ferro grade is above 30% grade. So we shall also be increasing the production of ferro grade ore that is what the Chairman has just now told that would add to the volume, it will add more or less the higher grades of ore.
- Paresh Jain:** And sir lastly on the website, the price list that you released it says available quantity as 271,600.
- A. K. Mehra:** What happens is that whenever you display a price, in our cases we have various grades of ore plus 60 to 65 types of grades of ore. Grade of ore availability as we mentioned, so that those buyers who are interested, some buyers would like to have only low grade ore, where as a small scale industry buyers who has very small furnace he might be his requirements will be only to be buy some fine, where as the person who is producing a **high grade** of ferro manganese, he will go in for the 48% manganese ore. So we have to also indicate the quantity as well as the price of that particular grade.
- Paresh Jain:** No my point was that just now I think the inventory that was spelled out was something like 180,000 tonnes at the end of the quarter if I am correct?
- A. K. Mehra:** No I don't have that figure ready with me.

- Paresh Jain:** No I am saying the inventory that was just now said was 1,80,000 tonnes at the end of the quarter where on the website the available quantity that has been shown at the end of the quarter is 271,600.
- A. K. Mehra:** Yes you are right absolutely, these are more than 4 lakhs but what happens is that part of the quantity is booked directly by the PSU, Steel Authority of India Limited. We don't display that. That gets deleted. Secondly those grades which we are going to be sell through e-auction, those grades are also not included there early whatever is for our captive consumption for producing the ferromanganese what we are having 10,000 PPA plant what we require for that, that is also not displayed. So whatever quantity available to be given to the public, that is mentioned. Just to add further clarification, I think you are saying that 180,000 is inventory they have shown as the 270 as available quantity.
- Paresh Jain:** Right.
- M.A.V Goutham:** See this 180 is the quantity available as on March 31st for the current quarter we are anticipating a production of 3 lakh tonne. So 3 plus 180, 480,000 tonnes is the total available quantity in the normal ideal situation. But in this 480,000 tonnes or say 450,000 tonnes some quantity is already sold to PSU, Steel Authority and other so that we will deduct. Similarly whatever is required for the e-auction where we are selling through e-auction that will not be included this is quantity available for contract up to June.
- Paresh Jain:** Okay.
- M.A.V Goutham:** So that is why 280,000 tonnes but actually if you see the total quantity available is the current quarter production plus the opening stock.
- Paresh Jain:** Fine perfect. Yeah okay thank you sir.
- Moderator:** Thank you. The next question is from the line of Prasad Baji from Edelweiss Securities, please go ahead.
- Prasad Baji:** Firstly, the sales volume for Q4 it is 0.26 million tonne? I just wanted to be sure of that and the production volume also.
- K. J. Singh:** Production volume was 3.36 and sales was 251 crores and sales was 2.59 lakhs.
- Prasad Baji:** The general observation for the quarter as well as the full year, you mentioned that the demand is strong why is it that the sales volume is consistently upgrading below production volume even for the quarter which would have been a seasonally very strong quarter. So if demand is not an issue why is this happening?
- K. J. Singh:** See actually in the fourth quarter the prices were more and the demand was not that strong.
- Prasad Baji:** So prices sequentially declined.
- K. J. Singh:** We had waited to revise price within the market
- Prasad Baji:** But prices have sequentially declined in the March quarter as we just discussed.
- K. J. Singh:** Yeah prices from second quarter to third quarter, I would like the financial to reply.
- M.V.A. Goutham:** See the prices in fourth quarter have reduced only marginally by 8% as far as MOIL is concerned.
- Prasad Baji:** Yes.
- M.V.A. Goutham:** See when you see the average realization which you are saying 9300, it is the realization of all the grade of material. Coming to the MOIL price, prices in the international market have reduced at a higher accelerated rate compared to the MOIL price reduction because MOIL will be fixing the prices only at the beginning of the quarter. Though we are having the flexibility to revise the prices in between the quarter also we have purposefully waited to see how the market is going to stabilize. The same time we also sold in the other grades of ores like fines and silico grade where there is an immediate market without immediately revising or prices in line with the market. So that is the reason in the first quarter of the current year we have reduced in the prices by almost 23%. This adjustment could have been made in the fourth quarter also to increase the volume of sales with the average realization also. Without revising the prices and at the same time we are also pushing the material which is having more demand in quantitative terms but will not realize that much realization as the ferro grade. I think you got the point.

Q4FY11 & FY11 post results conference call transcript – MOIL Ltd.

- Prasad Baji:** No what I am saying is that prices are down it is not against the prices of manganese ore are so high as to cause demand issues, prices are on the lower side. Is it for example that the import prices are much lower and therefore they are sort taking up some of the demand and we are not able to compete?
- M.V.A. Goutham:** See it is like this again I am telling the same thing the price reduction in the current quarter i.e. the first quarter of the current year we reduced by 23%. This 23% is not the reduction of a momentary reduction it has built up over last entire quarter January 2011 to March 2011, there is gradual adjustment in the prices of the international market, okay? But we have not immediately changed our prices whatever reduction we gave on January 1st that we have maintained. But at the same time though the prices are coming down in the international market we thought that we will wait and see where they will stabilize, mending the downward adjustment in the price of MOIL, high grade ore sales have been kept at lower level compared to the other grade. Now in this current quarter April 2011, we have adjusted the high grade prices by almost 23%. So they are almost on par with the international prices, and hence they will prefer to pick from the local domestic market because it is logistically convenient for them.
- Prasad Baji:** Understood. You mentioned that though the prices have declined by 23% q-o-q in the first quarter, the average realization may not reflect that so what kind average realization can we expect in the Q1 quarter, current quarter?
- M.V.A. Goutham:** Q1 quarter, see we can expect the same realization as the last quarter or it may increase depending upon the product mix because in the current quarter we are selling the high grade ore relatively
- Prasad Baji:** So in spite of the price cut average realization will be maintained?
- M.V.A. Goutham:** Yes, definitely.
- Prasad Baji:** In spite of about 23%....
- M.V.A. Goutham:** See average realization, as I told you last year fourth quarter our main off-take is the low grade ore. Whatever ferro grade was produced in the fourth quarter of the last year will automatically be sold in the current quarter. So price realization will not be in line with the prices what we reduced. But if you want the exact figure you will have to wait up to June 30th.
- Prasad Baji:** Sure can you share what has been our average grade sold in each of the last four quarter?
- M.V.A. Goutham:** We have to workout. Actually we are having three grades but if you want precisely the grade and average, the percentage is that we have to workout.
- Prasad Baji:** Okay fair enough. What kind of FY13 volumes are we targeting, you did mention FY12, what kind of numbers on FY13 if any?
- M.V.A. Goutham:** FY13, as we say, our production is going to increase every year gradually from 1.2 million tonne in the current year to 1.5 million tonnes by 2015. So as per the present trend we are expecting 1.3 million tonne minimum production in the next year, i.e. 2013, I can say that much is the available quantity for sale.
- Prasad Baji:** The Gumgaon mine peaking is taken into account in this 1.3 million tonne?
- M.V.A. Goutham:** Yes definitely Gumgaon and to some extent the other mines also, production is going to increase and it may be minimum 1.3 tonnes it may increase further also.
- Prasad Baji:** No problem. Okay thank you and bye-bye.
- Moderator:** Thank you. The next question is from the line Karan Gupta from BNP Paribas, please go ahead.
- Karan Gupta:** Sir the question is this year is there an exploration update in terms of your adding to reserves?
- K. J. Singh:** Yes, very much. See actually we are doing exploration in all the mines particularly Balaghat mine which one of the deepest and best mines of MOIL and we expecting good results there also but presently we cannot tell you what is the increase, of course every year we are increasing 2-3 million tonnes of reserve and we also expecting to increase the resources also and we have hired MECL for doing the exploration work, we are rather going to sign MOU for continuously doing exploration work.

Q4FY11 & FY11 post results conference call transcript – MOIL Ltd.

Karan Gupta: Okay, sir the second question is on your sales mix, Mr. Goutham mentioned that you sell through e-auction as well as through PSU and the tenders. So could you give us the breakup between the three?

K. J. Singh: Actually if you see the whole year sales and production about 20-25% of our production goes to PSU, the Maharashtra Electros melt Limited, earlier a subsidiary of SAIL, now it is full fledged department of Steel Authority of India Limited and so far as the e-auction is concern our target is 12-15%, we sell through the e-auction and balance we upload on the website.

Karan Gupta: Fine sir, just my last question, what percentage of your current production coming from Dumps mining if any?

K. J. Singh: From Dumps yes, about 15%.

Karan Gupta: Thank you sir. Thank you so much.

Moderator: Thank you. The next question is from the line of Apurva Doshi from HSBC.

Apurva Doshi: Sir, can you give the exact volume in all the four quarters. Fourth quarter you said was is 259,000 tonnes, what was in the third quarter?

K. J. Singh: Yeah actually, our second quarter was 2.98 lakh tonne, fourth quarter 3.36 lakh tonne.

Apurva Doshi: No sir I am getting confused. Fourth quarter was 259,000?

K. J. Singh: No, fourth quarter was 2,59,652 metric tonnes

Apurva Doshi: What was third quarter?

K. J. Singh: Third quarter is 2,38, 827.

Apurva Doshi: For second quarter?

K. J. Singh: 2,28,358.

Apurva Doshi: And first quarter?

K. J. Singh: 2,72,412.

Apurva Doshi: So total is around 1 million tonne which you have projected to go up?

K. J. Singh: Exactly if you want to know, 999,249.

Apurva Doshi: That is correct, that is absolutely correct. Revenue for the four quarters was?

K. J. Singh: 1139.96 crores.

Apurva Doshi: No not revenue. I am saying revenue for the fourth quarter is what? 251?

K. J. Singh: Revenue for the fourth quarter is 251.73 crores.

Apurva Doshi: Correct. Third quarter is?

K. J. Singh: 253.20 crores.

Apurva Doshi: Second quarter?

K. J. Singh: 284.07 crores.

Apurva Doshi: First quarter?

K. J. Singh: 350.97 crores.

Apurva Doshi: Okay sir thank you very much.

K. J. Singh: Right. Thank you.

Moderator: Thank you. The next question is from line of Tushar Choudhury from Motilal Oswal Securities Limited, please go ahead.

Tushar Choudhury: Could just please give us the production numbers also. You have given fourth quarter production of 3.36 lakh, third was?

Q4FY11 & FY11 post results conference call transcript – MOIL Ltd.

- K. J. Singh:** Fourth quarter was 3 36,431, third quarter is 297,562 and second quarter 239,183 and first quarter is 277,566 total 1150.742.
- Tushar Choudhury:** Okay sir thanks.
- Moderator:** Thank you. The next question is from the line of Bhavin Chedda from Enam Holdings, please go ahead.
- Bhavin Chedda:** Sir you mentioned some CapEx plans of 1200 crores right? Can you give the breakup how you plan to spend it in 2012-13, 2013-14?
- M.A.V.Goutham:** Major breakup is we are going invest around 150 crores in the joint venture investment with SAIL and RINL as far as the mines are concerned we have taken up sinking of shaft right now at four mines i.e. at Ukwa, Gumgaon and then Munsar and deepening of the mines at Balaghat and Beldongri. So also, we are initiating steps to go for further shafts in Chikla as well as high-speed shaft at the Balaghat. So now coming to the investment in the current year, i.e. 2011-12 we are projecting a total expenditure of nearly 140 crores on various plans. Then this excludes the investment in the proposed 814 hectares which was given to us by Maharashtra government because there we are applying for the prospective licensing and based on that mining licenses. So most of the expenditure all that will go for the procurement of the heavy equipment there. So this is not yet planned because we have to assess the situation and also obtain the mining license. Okay besides that we are also going for a heavy open cast development in the Dongri Buzurg mine where according to our present estimate the total expenditure will be the range of 50-70 crores which we have not taken in the capex plan. It is being treated separately for internal procedure as concerned. You can expect the total investment in the current year as per the present situation is 130 crores on account of the capex plan and other 50 crores on account of the development.
- Bhavin Chedda:** Okay. Sir on the website there is another price revision press release which is uploaded on May 23rd which is yesterday, so has the price been revised down further from the April 14th press release which was there on the website and both combined is the deduction of 24% or how is it?
- M.V.A. Goutham:** Yes, what you said is correct.
- Bhavin Chedda:** So the press release which was uploaded yesterday the price applicable is from that date or it is retrospective effect?
- M.V.A. Goutham:** It is effective from May 23rd. Price ruling at the time of the dispatch is our most important clause.
- Bhavin Chedda:** Okay so normally the practice is the quarterly pricing but due to exceptional circumstances you have revised further on May 23rd right?
- M.V.A. Goutham:** Absolutely right.
- Bhavin Chedda:** Okay what you are saying is that this quarter you will be having much of the high grade ore so the blended and SR and may not go down.
- M.V.A. Goutham:** Yes.
- Bhavin Chedda:** Okay so going forward overall sales mix on annual basis how much can we assume your sales volume breakup into high grade ore, medium grade ore and fine?
- MAV Goutham:** As we said, these results can be given but as we said in the beginning, value wise average turnover for the current year we are expecting at least on par with the last year. 1150 crores is the last year turnover 1140 crores. So this year we are expecting a minimum of 1140 crores.
- Bhavin Chedda:** Okay so, on the turnover wise you are expecting a flat turnover.
- M.V.A. Goutham:** Flat turnover taking into consideration with present prevailing difference in the market price.
- Bhavin Chedda:** Difference market price and sir will there be any cost escalation anything or since your sales volume will be much higher, so you will have economics of scale right?
- M.V.A. Goutham:** Cost will not vary in line with that because the mining industry the situation is that the input cost will not be much.

Bhavin Chedda: Input cost will not be much. Okay and sir you said you normally have reserve accretion of 2-3 million tonne per annum right?

M.V.A. Goutham: Yeah-yeah.

Bhavin Chedda: So has that been the case for last 10 years?

M.V.A. Goutham: Yes, very much.

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

Moderator: Thank you. The next question is a follow up question from the line of Vishal Gajwani from Reliance PMS, please go ahead.

Vishal Gajwani: Sir I wanted to know about the other income that we show on a quarterly basis and last quarter our other income was...

M.V.A. Goutham: See most of our other income comprise mainly the interest what we earned on the surplus funds which we are keeping with the bank.

Vishal Gajwani: Right and sir on the volumes for the next quarter, shall we be seeing a jump of 30% from this quarter itself?

M.V.A. Goutham: See we are talking about the entire year as a whole. Quarter-to-quarter it may vary this side or that side. But the total available quantity will be 1.3 million tonnes per sale in the next year 2011-12.

Vishal Gajwani: Right but logically speaking last quarter because of high prices, your volume off-take was lower.

M.V.A. Goutham: Right.

Vishal Gajwani: But this year, this quarter since your prices has been corrected so that way may be the volume growth should come to 30% from this quarter itself.

M.V.A. Goutham: See now price adjustment is made in the May 23rd and if you take that, another one month is left for the current quarter. So we have to see the logistics and the dispatches and the demand when it is going to come.

Vishal Gajwani: Okay and I also wanted to understand the logistics part. Do we have any bottlenecks in logistics?

M.A.V. Goutham: Logistics- what exactly I mean to say is when the party approaches us and when the material actually leaves from our premises. We are having sidings in all our mines, availability of the rakes from the railways also.

Vishal Gajwani: No but in case of Coal India, for example. Coal India is not able to sell because of non availability of rail infrastructure and limited availability of rakes.

M.A.V. Goutham: This case is not like that of the Coal India because Coal India the volumes are so much so that to some extent logistic problem will be there, but our total sales is 1.3 million tonne, projected in the next year whereas if you see, the Coal India is going into 100s of million.

Vishal Gajwani: Right, so therefore you are not facing that problem.

M.A.V. Goutham: Yes we will not have that much impact and second thing is not that all our sales are only through rail. It is going by road also; it is going by rakes also. 50% by rail and 50% by road.

Vishal Gajwani: Okay and sir this year your dividend payout has been around Rs. 7 per share right? 70% for FY11.

M.A.V. Goutham: Yes correct.

Vishal Gajwani: So your dividend payout comes to around 20%?

MAV Goutham: 20% of the profit after tax, correct?

Vishal Gajwani: So I wanted to know what is going to be the policy going forward because your profitability is very high and you already have surplus cash on your balance sheet and your CapEx plan is not that high. So is the dividend payout going to increase going forward?

MAV Goutham: You see dividend payout if you compare last year, last year we paid 56%, this year we paid 70%. So dividend will gradually increase, definitely it is there.

Q4FY11 & FY11 post results conference call transcript – MOIL Ltd.

- Vishal Gajwani:** But can that dividend payout go up from let us say 20%?
- MAV Goutham:** It will definitely. See decision will be taken by the board at the appropriate time. This year we declared 70%.
- Vishal Gajwani:** Sure. Sir any plans to use the surplus cash at other places in related business etc? Because we are holding good surplus cash and we are generating also good amount of cash on a recurring basis.
- MAV Goutham:** The CapEx plans what we proposed is 1200 crores is excluding the acquisitions of the mines. So in case any our own proposal and appropriate proposal comes, we are going to spend that money.
- Vishal Gajwani:** Okay sure. Thanks a lot and all the best.
- Moderator:** Thank you. The next question is from the line of Giriraj Daga from Nirmal Bang Equity, please go ahead.
- Giriraj Daga:** Sir just couple of questions. This quarter other income is 50 crores compare to last quarter 34 crore. So last quarter gone up sequentially, December 2010. So any particular reason for that?
- MAV Goutham:** There are two things. One thing is that the average interest rates have increased in the fourth quarter compared to the third quarter and the amount of available deposit also because of the accumulation of funds it is increased, that is one of the factor for increasing the other income. Besides that there is another income of nearly 5 crores which we got as a claim from a party based on the performance of such equipment. So that 5 crores also added to the current quarter income. So if you take these factors into consideration, the increase can be justified.
- Giriraj Daga:** Okay. So you can say 45 crores can be a normalized income.
- MAV Goutham:** Yeah.
- Giriraj Daga:** Okay and next about depreciation, it has also gone up substantially.
- MAV Goutham:** Right. Depreciation has gone up. See depreciation comprises of two things. One thing is on account of the appropriation of the leasehold rents. Normally the first 3 quarters will be doing on an estimate basis and the fourth quarter will be doing it more precisely. That has gone to some extent and also the capitalizations and other things normally the projects what we have taken up, will be gradually capitalized during the year. So compared to first quarter the volume of capitalization in the last quarter will be more, so depreciation charge will be more.
- Giriraj Daga:** Sir what is the amount we have capitalized during the year?
- MAV Goutham:** Capitalization during this year is nearly 42 crores.
- Giriraj Daga:** 42 crores capitalization. Okay sir, thank you from my side.
- Moderator:** Thank you. The next question is from the line of Jimesh Sanghvi from Avendus Securities, please go ahead.
- Jimesh Sanghvi:** Just had a query, we have one of our mines which is fully mechanized where in the other mines are semi mechanized. So do we plan to make the other mines fully mechanized and if yes by what time can we expect that will happen?
- K. J. Singh:** Actually our open cast mines that is fully mechanized. We have 3 open cast and 7 underground mines. One open cast mine is very big in size where the fully mechanization is easier and the other mines is not that much continuous deposit so, fully mechanization is not possible but yes, we are increasing the mechanization in those mines also. So far as underground mines are concerned it is almost mechanized and is semi mechanized means some workers are also involved, PR workers and is partly mechanized also.
- Jimesh Sanghvi:** So we don't plan to convert those semi mechanized...?
- K. J. Singh:** Yes, we have plans to convert the semi mechanized to mechanized.
- Jimesh Sanghvi:** Okay and will that improve the productivity?
- K. J. Singh:** Sure.

Q4FY11 & FY11 post results conference call transcript – MOIL Ltd.

Jimesh Sanghvi: Okay and that has been accounted in your target of 1.5 million tonnes per which you were talking.

K. J. Singh: Yes.

Jimesh Sanghvi: Okay, fine, thank you.

Moderator: Thank you. The next question is a follow-up question from the line of Apurva Doshi from HSBC, please go ahead.

Apurva Doshi: Sir in the results out now, you mentioned that certain non recurring IPO expenses have been debited. What is the amount and what had it has been debited?

MAV Goutham: IPO related expenditure mainly what happened, during the last year September-December; we had gone for the IPO so there was of lot of expenditure on account of going for this...

Apurva Doshi: Yeah sir what is that amount?

MAV Goutham: The amount has been 6 crores.

Apurva Doshi: 6 crores. So basically that is a one-time expense which will not happen.

MAV Goutham: It is a one-time expense it will not recur every year.

Apurva Doshi: Okay sir thank you.

Moderator: Thank you. Ladies and gentlemen that was the last question. I would now like to hand the floor back to Mr. Kunal Motishaw, thank you and over to you sir.

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

K J Singh: Thank you very much, very good arranged meeting, very good teleconferencing arrangement.

Kunal Motishaw: Yeah, thank you sir.

Moderator: Thank you sir, thank you members of the management. On behalf of IDBI Capital Market Services Ltd, that concludes this conference call. Thank you for joining us and you may now disconnect your lines. Thank you.