



MOIL Ltd.

Q4FY12 and FY12 Post Results Conference Call
Hosted by IDBI Capital Market Services Ltd.

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Moderators

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Moderator: Good afternoon ladies and gentlemen. I am Moumita, moderator for this conference. Welcome to the Q4 FY12 conference call of MOIL Limited. We have with us today, Shri. K. J. Singh, CMD, Shri. M. A. V. Goutham, Director – Finance, Shri. A. K. Mehra, Director – Commercial and Shri. N. D. Pande, Company Secretary. At this moment, all participants are in listen only mode. Later, we will conduct a question and answer session. At that time, if you have a question, please press * and 1 on your telephone keypad. Please note this conference is recorded. I would now like to hand over the floor to Shri. K. J. Singh for his comments. You may please go ahead, sir.

K. J. Singh: Very good morning all investors. The result for the fourth quarter as well as the total financial year 2011-12 has been declared. The fourth quarter production was, fourth quarter, the final production of the company was 10.71 lakhs 1.07 million tonnes, the sale was 1.078 million tonnes. The turnover of the company in the financial year 2011-12 is 906 crores. Total revenue generated by the company is 1109 crores. And the PBT of the company for the financial year 2011 is 607 crores and PAT 411 crores. For the fourth quarter of the financial year 2011-12, the turnover was 202 rores. The PBT was 140 crores and PAT was 99.36 crores. There is a very good news for the investor and for the company also that we have today we have got PL sanctioned by the Government of Maharashtra for 597 hectares of manganese bearing land. We had applied three-four years back for PL for 814 hectares of land, out of 814 hectares of land; we have already got PL related to date worth 597 hectares of land. You must be aware that the total lease area with MOIL today is around 1796 hectares. And this lease we are having lasts more than 50-60 years. And this year itself only we have got about 40% to 45% of the land what we have, manganese bearing land, the lease we have, we have been allotted PL for about 40% of the lease we already had with us.

Current year results we have already declared. We have already sent you our results and to the stock exchange also. Moumita?

Moderator: Hello, yes sir. Should we start the question and answer session?

K. J. Singh: Yes.

Moderator: Alright.

Question and Answer Session

Moderator: 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. Ram Modi from Dolat Capital. You may please go ahead sir.

Ram Modi: Good morning sir.

K. J. Singh: Very good morning Ram Modi-sir.

Ram Modi: Sir, what were the realizations during the quarter for our manganese ore?

K. J. Singh: Realization was 201 crores.

Ram Modi: No, not the sales, the realization per tonne of manganese ore sold during the quarter?

K. J. Singh: During the first quarter?

Ram Modi: Yeah.

K. J. Singh: For the quarter is Rs.6279 per metric tonne.

Ram Modi: But, why has been there is a steep fall in the realization? Because, if you look at last quarter, which was September, October to December, it was around Rs.8000 and this quarter it is around Rs.6279, whereas I don't think so we had such a steep hit of prices.

K. J. Singh: See, I will tell you, we had to reduce the price, for your kind information, for the calendar year will start in 2011 January to December 2011, we had to reduce the price. Our Director – Commercial is here, he will explain you.

A. K. Mehra: During the complete financial year, good morning.

Ram Modi: Yeah, yeah.

A. K. Mehra: During the complete financial year, we have reduced prices at an average of 29.76%. And during this quarter itself, January to March, there was slight reduction in the prices of few grades of ore, in the Ferro Grade, ranging from about 5% to about 10%. So, that has given the effect of lower sales realization during the fourth quarter, 2011-'12.

Ram Modi: But sir, the realizations in the previous quarter, which was given to us, was around Rs.8000 in Q3 and even if we take that into account, the realization of 6279 doesn't match, at 10% it should be...

A. K. Mehra: Quarter ending on 31st December, the sales realization was 7546 per tonne.

Ram Modi: Okay. But, was there anything regarding that, our mix of fines were higher or there is a difference, stark difference between the...?

A. K. Mehra: Yeah, you are absolutely right. As our Chairman said, because there was slightly lower...

K. J. Singh: Yes, yes, you are right. Actually the quantity of fines in the fourth quarter were more than...

Ram Modi: Hello, hello.

Moderator: Sir, hello? Thank you sir. Dear participants, we request if you are using your landline to kindly switch off your mobile phone to avoid disturbances.

The next question comes from Mr. Rajiv Agarwal from SKS Capital and Research Limited. You may please go ahead.

Rajiv Agarwal: Sir, we have produced, we have sold around 1.7 million tonnes, in FY12? Hello, pardon, hello? Hello? Good morning.

Moderator: Just give me a moment please.

Rajiv Agarwal: Hello? Am I audible? Hello Moumita?

Moderator: Yes, I am there. I think the line. Ladies and gentlemen, you are requested to stay on the line, while the management team is getting connected back into the call. Thank you for your patience.

Ladies and gentlemen, we welcome the management team back on the call. Thank you.

Sir, shall we take the next question? Mr. Singh?

K. J. Singh: Yes.

Moderator: Sir, shall we take the next question?

K. J. Singh: Yes, yes.

Moderator: The next question comes from Ms. Neha Manpuria from JP Morgan. You may please go ahead ma'am.

Neha Manpuria: Thanks for taking my question sir. First, I just wanted to reconfirm, you were mentioning that our fines dispatches was higher in the fourth quarter versus the third quarter, therefore the lower realization?

K. J. Singh: Yeah, yeah. Good morning Neha-ji.

Neha Manpuria: Good morning sir.

K. J. Singh: Fourth quarter dispatch for fines was 81,406 metric tonnes, whereas third quarter dispatch was 46654 metric tonnes only. So, we dispatched double the quantity what we had dispatched in the third quarter. So, the production increased, but the overall realization, because the prices of fines are much less than the lumps, so the overall realization also reduced.

- Neha Manpuria:** Okay. Sir, going into the first quarter, from that pricing that you have released on your website, it seems that trends have improved and on a blended basis prices are higher. How are you seeing prices now versus given the global environment, BHP increased prices globally, so what is the sense on pricing going forward?
- K. J. Singh:** Our Director Commercial will reply.
- A. K. Mehra:** Good morning ma'am.
- Neha Manpuria:** Good morning sir.
- A. K. Mehra:** Prices we have for the second quarter (inaudible) June, we have increased from 5% to about 12.5%, depending upon the (inaudible). In the coming days, we feel that the prices shall be coming up.
- Neha Manpuria:** Okay. And have you seen trends improving, other than the global environment, I mean domestic market, have trends changed?
- A. K. Mehra:** The domestic market during the last calendar year that is fiscal '11, the Indian market also, the total production of the manganese ore has been lower than compared to the calendar year 2010. That is one area of concern, because once the domestic production of various manganese ore producers gets lower, then the demand slightly increases, that is one. Otherwise also, the steel production in the country has increased, that is also one of the major factors that we saw manganese ore has correspondingly.
- Neha Manpuria:** Okay. You believe that prices should remain firm from here?
- A. K. Mehra:** I feel because, it is a continuous process, because about 95% of manganese ore goes directly or indirectly into production. And the production of steel in this country for the calendar year 2011 has been about 72.2 million tonnes as against comparing to 2010, 66.8 million tonnes. So, the steel production calendar wise from 2010 to 2011 in a YoY basis has increased by 8.08%.
- Neha Manpuria:** Okay. And sir, what about the mix sir? Like we saw fines increase very sharply on a quarter on quarter basis, will we continue to see an increasing proportion of fine sales or do you think that will, how has the production break up been?
- K. J. Singh:** No, no. This is the maximum fines we have sold this year 80,000 or 90,000 in micro fine we are selling. Now, the percentage of (inaudible) will increase and it will stabilize at this level only.
- Neha Manpuria:** Okay, okay. And sir, my last question would be, what is the CAPEX guidance for the next year and therefore how are we looking at volumes?
- K. J. Singh:** Our Director – Finance will take this.
- M. A. V. Goutham:** Capital expenditure plans madam, there are two things, mainly internal projects what we are taking up. In this case, as we told earlier, in case of the shaft, we have taken up at Balaghat, which is giving the best grade of ore, so there one project is completed, that is the production shaft. It will add to the increase of the Ferro Grade production, which will also in turn increase the overall realization. Second thing is (inaudible) the context for another shaft deepening, that is Holmes shaft. So, amount wise if you see, this amount on the proposed project is in the range of 25 crores only, but the actual real impact will be coming in the way of production, because that is extension of the existing project. Then coming to the major capital investments in the coming year, we are proposing a high speed shaft at the Balaghat mine, that is costing around 300 crores. For that the consultant has already been appointed and he has finalized all the technical situation. This project is costing 300 crores, which will be finished in the next three-four years. Then we are also going for, sinking of shaft at the Chikla, Ukwa and Munsar, in addition to the existing shafts. So, these are the internal plans. As far as the external plans are concerned, the joint venture with the SAIL and RINL, they have been going a bit slow as compared to the initial estimates. One of the reasons is rates what we got (inaudible), things are not in the way what we estimated and we are going with process of negotiation.
- Neha Manpuria:** Okay. Sir, then how are we looking at volume for FY13-FY14?
- M. A. V. Goutham:** FY13-14 means next year, you mean to say? Not the current year?

Neha Manpuria: This year and next year. This year also how are we looking at it? This year also sir, FY13 also?

M. A. V. Goutham: '12-'13, last year we had a production of 1.07 million tonnes. Next year we are expecting, the target is around 1.15 million tonnes is for the Ministry and we are planning to exceed it.

Neha Manpuria: Okay, 11.05 like that, okay. Thank you sir. Thanks for answering my questions.

Moderator: Thank you ma'am. The next question comes from Ms. Bharti Gupta from Sushil Finance. You may please go ahead, ma'am.

Bharti Gupta: Good afternoon sir. Thank you for taking my question. Sir, I just happen to miss your production figures for the entire financial year.

A. K. Mehra: Madam, good morning. Can you be a bit louder?

Bharti Gupta: Yeah. Sir, I happened to miss your production figures...production and sales figures for the financial year and for the quarter sir. So, if you can just provide me that?

A. K. Mehra: As far as the production is concerned for the total year 2011 – '12 the production is 10.7 lakh tonnes. For the entire year 2011-12, our production is 10,70,000 tonnes. And coming to the sales, total sale is 10.78 lakh tonnes, marginally higher.

Bharti Gupta: Okay. And for the quarter?

A. K. Mehra: For the current quarter, the total sales is 3.01 lakh tonnes, for the fourth quarter.

Bharti Gupta: That is sales?

A. K. Mehra: Sales, quantity is 3.01 lakh tonnes and production is 3.15 lakh tonnes.

Bharti Gupta: 3.15 lakh tonnes. So this indicates that we have been liquidating our inventory that we have.

A. K. Mehra: Correct. To certain extent, correct.

Bharti Gupta: So, what kind of current inventory do we have?

A. K. Mehra: Just small correction madam, the production is 3.15 lakh tonnes and the sale is 3.0 lakh tonnes, sorry, just I am correcting it. 3,15,000 tonnes is the production and 3.01 lakh tonnes is the sale in the fourth quarter. Overall year if you see, 10.7 lakh tonnes is the production and 10.78 lakh tonnes, 8000 tonnes more is the sale, quantity sale.

Bharti Gupta: So, what kind of current inventory are we holding in our books?

A. K. Mehra: As of date we are holding inventory, just one minute. Inventory we are holding as on date is 1.58 lakh tonnes, manganese ore.

Bharti Gupta: Yeah, right. And sir, going forward what is the production target for FY13 and 14?

A. K. Mehra: Just now I mentioned to your previous question, that is 11.50 lakhs tonnes is the target for the year '12-'13. And '13-'14 also it will be around 12 lakhs tonnes.

Bharti Gupta: Around 12 lakhs tonnes?

A. K. Mehra: Yes.

Bharti Gupta: So, that is both for the FY13 as well as for FY14?

A. K. Mehra: Yes, yes.

Bharti Gupta: Okay. And sir, you gave the breakup of the dispatch of fines, like for the fourth quarter we dispatched around 81,406 metric tonnes, right? Because, I did not get your third quarter figure, the comparative figure which you gave.

K. J. Singh: The dispatches for the fourth quarter of fines was 81,406 metric tonnes and third quarter was 46,654 metric tonnes and second quarter 40,678 metric tonnes and first quarter 59,923 metric tonnes. So, total fines dispatched is 2,28,661 metric tonnes.

Bharti Gupta: 2,28,661. Okay. And the balance would be lumps, for further sales, right?

- K. J. Singh:** Balance is 8,49,602 with ferro and other grades, I mean the total for the financial year '11-'12.
- Bharti Gupta:** Okay. And sir, on the realization front like what is the, (inaudible) fourth quarter blended realization stood at 6279, so going forward are we seeing any kind of an improvement in the margins, improvement in the realization?
- K. J. Singh:** Hello, hello, yes madam.
- Bharti Gupta:** Sir, for the fourth quarter our blended realization stood at 6279, so post March ending have we seen any kind of an improvement in the realizations?
- K. J. Singh:** Yes, yes, in this financial year 2012-13, from April, May, June, we are getting better realization. Now there is an improvement in the price from 5% to 12.5%.
- Bharti Gupta:** Okay, in the range of 5% to 12.5%. So, for the financial year going forward should we assumed, safely assume that the realization would be close to about 8%?
- K. J. Singh:** Yes, yes.
- Bharti Gupta:** Okay. And sir, what is the current reserve please?
- K. J. Singh:** Current reserve is 70 million tonnes, resources, reserve, because there are two categories. Resources means whatever manganese ore is available with the company and what has been proven, the proven is about 30 million tonnes.
- Bharti Gupta:** Proven is 30 million tonnes, this is the extractable reserve?
- K. J. Singh:** Yeah, yeah, as on date. Every year we go on adding (not clear).
- Bharti Gupta:** Okay. If I have any further questions, I will get back. Thank you.
- Moderator:** Thank you ma'am. Ladies and gentlemen, we request if you are using your landline to kindly switch off your mobile phones to avoid noise disturbances. Thank you.

The next question comes from Mr. Ram Modi from Dolat Capital. You may please go ahead sir.

- Ram Modi:** Yeah sir. I just have this question, this realization is falling steep and can you just give me in terms of what was our fines realization as well as Ferro, Silico Grade realization, so that I am just able to comprehend what will be our Q1 realization and how do you see the mix going forward? Because, this time I think the realization fall has been too sharp, and so whether we will continue to sell this kind of fines for the year or how it will be panning out?
- A. K. Mehra:** You can take the realization; if you want you can note it down. The average sales realization for the fourth quarter for fines is Rs.2647 per tonne.
- Ram Modi:** How much sir?
- A. K. Mehra:** Rs.2647 per tonne. And for Ferro Grade, I am sorry, just a minute. I am sorry, just a minute. For fines, the average sales realization for fines Rs.2647 and for Ferro Grade, Rs.9740.
- Ram Modi:** How much sir?
- A. K. Mehra:** 9740 per metric tonne.
- Ram Modi:** 9740? So, we will see back our realizations of around, on a blended basis around Rs.7500 once we start selling more of Ferro Grade in this quarter?
- A. K. Mehra:** The question is that the higher the Ferro Grade sale is there, the higher the average sales realization we will get. In the product mix, the maximum weightage in this (not clear) prices to the Ferro Grade, second comes Silico Grade and third comes fine.
- Ram Modi:** Okay. So, how is our budget prepared basically, how much we would be looking to sell throughout the year in terms of proportion, fines, Ferro Grade as well as Silico Grade?

- A. K. Mehra:** If you go through the last year also, last year the total order, out of the 10.78 lakh tonnes material sold, the Ferro Grade ore comprises of 5.09 lakhs, and fines works out to 2.29 lakh tonnes.
- Ram Modi:** Okay. And the rest was, so the mix we should assume it to be same for the next year also?
- A. K. Mehra:** And the Silico Grade, if you want the exact mix you can note it down, Ferro Grade is 5.09 lakh tonne, Silico Grade is 3.35 lakh and the fines is 2.29 lakh, di-oxide grade is there 5392 lakh, which is 10,78,000.
- Ram Modi:** Okay. Sir, this is fine, but how are you saying that realization is now with 5%, so this mix is, I will say it's Q4 phenomena where we sell more of fines?
- A. K. Mehra:** I could not get you.
- Ram Modi:** Sir, was it deliberate that we sold so much of fines, so that we can achieve our yearend targets in terms of sales as well as production on the fines side?
- A. K. Mehra:** You are right. After all volume of fines is higher and the availability of the Ferro Grade is lower. Ferro Grade is an item which we are producing, fines is an item which is available. So, absolutely you are right. The question is, company's always objective is to produce higher Ferro Grade and (not sure) grade, so that our total average sales gets increased.
- Ram Modi:** Okay. Next question is for Mr. Goutham. Sir, our debtors have increased significantly this quarter, from around 68 crores it has moved up to almost 100 crores, so anything specific to this sir?
- A. V. Goutham:** Yeah. Actually what we did is, number one, during the current quarter, that is the fourth quarter, we gave credit to some of the customers backed with the LC. Earlier, we used to give only thirty days credit, because of the request of the customers; we have given sixty days credit that is one of the factors and with the interest charge up. That is the reason some of the amount which was supported by LC are also shown as the debtors. This is the practice we are consistently following also, so here the debtors in the last quarter comprises of sixty days credit, so (not clear). All debtors (except SAIL which is a PSU), are backed with the LC.
- Ram Modi:** Okay. So, that will continue from now on basically.
- M. A. V. Goutham:** For all practical purpose debtors which are supported by the LC, it is as good as received. Only debtors situation in fact, though it is showing a bit more, receivables, (not clear) are much more in that.
- Ram Modi:** Okay. Sir, you mentioned about the CAPEX projects this year, but how much are we planning to spend in FY13 and FY14? You mentioned the projects, but how much would be the amount which we will spend?
- M. A. V. Goutham:** '13-'14 budget, we will be finalizing only sometime in August.
- Ram Modi:** No, for '12-'13.
- M. A. V. Goutham:** '12-'13 is 207 crores we are planning.
- Ram Modi:** And how much we will spend?
- M. A. V. Goutham:** Major amount will go on the joint venture projects, which is SAIL and RINL.
- Ram Modi:** Okay. And how much would we spend in FY12 sir?
- M. A. V. Goutham:** FY12 our total investment excluding the RINL and SAIL joint venture is around 50 crores.
- Ram Modi:** Here sir, I think when we started the year, we were almost looking for around 100 crores plus CAPEX.
- M. A. V. Goutham:** 114 crores, the major component of nearly 60 crores is on account of these two joint ventures. The initially planned 35 crores we will be spending on the SAIL and around 20-25 crores will be the RINL. So, that has not come up as envisaged earlier. As far as internal projects are concerned, the investment is going as per the schedule.
- Ram Modi:** Okay. And sir, the last question is to Mr. Mehra. Sir, what were the Silco Grade realizations during this quarter?
- A. K. Mehra:** Silico Grade realization?

Ram Modi: The Silico Grade manganese ore realization.

A. K. Mehra: Just a minute, I will give you. It is 4687. Just a minute, just one minute. You are talking about Silico Grade realization for the current year?

Ram Modi: Yeah, yeah sir.

A. K. Mehra: For the quarter or for the financial year?

Ram Modi: For the quarter.

A. K. Mehra: For the quarter it is 4687.

Ram Modi: And for the year sir, how much?

A. K. Mehra: Year is 5434.

Ram Modi: 5434. And for the fines, how much was it for the year sir?

A. K. Mehra: Fines realization was 3072.

Ram Modi: 47?

A. K. Mehra: See, don't mix up, I will just repeat. For Silico Grade, quarter ending it is 4687, financial year ending is 5434. Fines, the quarter ending is 2647 and for the financial year ending is 3072.

Ram Modi: Okay. And for the Ferro Grade sir, 9740 for the quarter and for the year?

A. K. Mehra: For the year it is 10,601. Just one minute, 10,601.

Ram Modi: Okay, okay sir. Thanks a lot for taking my questions sir.

Moderator: Thank you sir. Ladies and gentlemen, if you have a question, please press * and 1 on your telephone keypad to ask the question.

The next question comes from Mr. Vinay Rachh from Angel Broking. You may please go ahead sir.

Vinay Rachh: Sir, good afternoon sir. This is Vinay here. Sir, this is Vinay here.

K. J. Singh: Yeah, yeah.

Vinay Rachh: Sir, what was your EBITDA for this quarter, for Q4, can you give us the breakup of that?

K. J. Singh: Pardon, pardon.

Vinay Rachh: The EBITDA for Q4 this quarter.

K. J. Singh: Our Director Finance will reply.

M. A. V. Goutham: Hello, you want the profit after tax for the current year? Hello?

Vinay Rachh: I want your earnings before interest depreciation for this quarter.

M. A. V. Goutham: EBIT is 140.34 crores for the quarter.

Vinay Rachh: For the quarter? Okay. And in terms of your average realization, you said that it has gone down significantly. So, do we expect this to continue next quarter also?

M. A. V. Goutham: As told by our Director – Commercial earlier, the prices in the first quarter of the current year is between 5% to 12% ranging. So, to this effect there will be additional realization in the case of the sale. And second thing is it depends upon the total quantity what we sold in the first quarter and now the demand has a bit firmed up, so we expect the next quarter results will be affected because of these two factors.

Vinay Rachh: Okay sir, thanks a lot.

Moderator: Thank you sir. The next question comes from Mr. Sachin Relekar from TATA Mutual Fund. You may please go ahead.

Sachin Relekar: Good afternoon sir.

K. J. Singh: Very good afternoon Sachin-ji.

Sachin Relekar: Sir, my question is, I have two-three questions. First is in on product mix. In this quarter we sold lot of fines, but for the year what would be the fines mix in the total sale?

K. J. Singh: Total fines will be, for the year it was 2,29 lakh tonnes.

Sachin Relekar: Yeah, this is for FY12.

K. J. Singh: FY11-12.

Sachin Relekar: Yeah. And going forward will we, like this comes to about 21% of the overall sale, going forward in FY13 or FY14, will this be increasing?

K. J. Singh: Yeah, certainly it will be more than 3 lakh tonnes, 3,20,000 or something like that.

Sachin Relekar: So, out of 11.5 lakh tonnes, which you are targeting, 3.0 lakh tonnes would be this?

K. J. Singh: Projection is 3,00,000.

Sachin Relekar: So, this proportionately can go up sir?

K. J. Singh: Yeah, actually this year we have sold about 0.8 lakh tonnes fines lesser than what we used to sell previous year and the year before last also. So, we are thinking, because now the demand is firming up, prices are also firming up. So, we are expecting that this year also our fines will be sold and it will be approximately 3,00,000 tonnes.

Sachin Relekar: Okay. Sir, for our long term production target at the time of IPO we were talking about 1.5 million tonnes production in the next three-four years we will achieve that. So, where do we stand on that long term production?

K. J. Singh: Yes, yes. Those projects are going well and we are expecting that 1.5 million tonnes by 2016-2017 and 2 million tonnes by 2020.

Sachin Relekar: Okay. And sir, how much CAPEX we will be doing for achieving this internal target of about 1.5 million tonnes?

M. A. V. Goutham: 1.5 million tonnes at that time, the figure is not immediately there, but we estimated the internal investment in the range of 760 crores to 800 crores for the internal projects. This is on the existing schemes within the existing measure. Over and above that as CMD said in the beginning, now we have got one 814 hectares land reserved by the Maharashtra Government, for which Prospecting License was given for 600 hectares recently.

K. J. Singh: Today.

M. A. V. Goutham: Today in fact we received it. So, for that once the Prospecting is completed, for further capital investment, which will be over and above the 760 crores.

Sachin Relekar: Sir, how much is the total investment likely to go in the JV project?

M. A. V. Goutham: JV project actually, it is projected at 150 crores, both the projects as our share. The total project is 600 crores estimated at that time. So, subject to other factors, it will be in the same ratio.

Sachin Relekar: So, how much we have invested so far out of 150 crores.

M. A. V. Goutham: In 150 crores, major amount is on account of the land and infrastructure joint venture partners have invested. But, as far as machinery, equipment and other things are concerned, unless you place the order we will not be able to actually release the funds.

Sachin Relekar: So, 150 crores is our estimate of our total share?

M. A. V. Goutham: In both the projects.

Sachin Relekar: Okay sir, alright. That's it from my side, thank you.

Moderator: Thank you sir. The next question comes from Mr. Jimesh Sanghvi from Avendus Securities. You may please go ahead.

- Jimesh Sanghvi:** Hi sir, good afternoon. Just had a query on the Prospecting License that we have received from the Government of Maharashtra, by what timeframe do we expect the mining to start? And can we start the work with only 600 hectares approval being received from the overall total of 800 hectares?
- K. J. Singh:** Yeah, yeah. Just now we have received about 600 hectares for PL, today we have received it and the time limit given for further, to get ML is two years. So, now we will immediately start explorations and to prove wherever manganese ore is present, manganese bidding land is there. Then we will, after finding out the total area of manganese ore bidding, we will apply for the ML. And as soon as we get the ML, we will start production. So, this year we have already received for 597.44 hectares today and the balance 216, for which the Government, Maharashtra Government has already reserved for MOIL, that should be also under process. Some files are with the Maharashtra Government and some have already reached the Central Government. This PL we have received from the Central Government.
- Jimesh Sanghvi:** Okay fine, thanks.
- Moderator:** Thank you sir. The next question comes from Mr. Ashish Matani from Derivium Tradition. You may please go ahead.
- Ashish Matani:** Good afternoon sir. Sir, you discussed the sales of fines from Q1 FY12 to Q4 FY12. Just was wondering if we could have the break up for the similar quarters for the Ferro Grade, Silico Grade as well as Dioxide Grade?
- K. J. Singh:** See, out of this 10.7 lakh metric tonnes, we have sold total Ferro Grade plus Silico Grade together 8.44 lakh metric tonnes and this every year we are going on increasing. Last year it was 8,35,000 metric tonnes and year before last it was 6.81 lakh metric tonnes. So, that suggests more money that what we are getting from fines. Fines we are able to, because it is accumulated since long, now there is a good market, that's why are able to dispatch it and we are able to sell it and we are getting (inaudible).
- Ashish Matani:** Sir, my question was that, could we have the quarter wise break up of these three grades from Q1 FY12 to Q4 FY12?
- K. J. Singh:** For quarter four, the Ferro Grade sale was 1,23,339 metric tonnes. LGHS is 95,105 metric tonnes, total non-fine sale is 2,19,112 metric tonnes, fine sales is 81406 metric tonnes. Total sale for the fourth quarter is 3,00,518 metric tonnes. Hello, Ashish-ji?
- Ashish Matani:** Yes sir, yes sir, can I just have the break up for the Q3 FY12 as well?
- K. J. Singh:** Q3, yes. Q3 is, Ferro Grade is 1.35 lakh metric tonnes, LGHS 1.03 lakh metric tonnes, total non-fine sale is 2.39 metric tonnes, fines is 0.47 lakh metric tonnes, total is 2,85,000 metric tonnes.
- Ashish Matani:** Okay sir. Sir, how much was Dioxide Grade, that will come in the non-fine?
- K. J. Singh:** Dioxide for the third quarter was 668 metric tonnes and for the fourth quarter also it was same, 668 metric tonnes.
- Ashish Matani:** Thanks a lot sir thanks a lot. That's all.
- Moderator:** Thank you sir. Ladies and gentlemen, if you have a question, please press * and 1 on your telephone keypad to ask the question.

The next question comes from Mr. Rajesh Zavar from MOIL. You may please go ahead sir.

- K. J. Singh:** MOIL?
- Rajesh Zavar:** Sir, it is Antique. Hello. Good morning sir. Sir, this was regarding your cost of production and also your provisions what you have made for the OBC for the full year and what are you expecting for FY13?

- M. A. V. Goutham:** See, actually we have published our financial results for the year ended 31st March 2012; total cost of operation is 496 crores against last year's 405 crores. This year what happened is, we have taken up various development works in the (mines to increase reserve. Clearly the cost of material and other things have increased because of the other inflationary factors. In the production, the production is more or less same, compared to last year there is a marginal reduction. So, the cost of production per tonne if you take, it has increased. The amount of expenditure in absolute terms, the amount is 405 crores for the last year and 496 crores for the current year.
- Rajesh Zavar:** Right sir. Sir, just wanted to understand sir, what is your OBC provision which you have made for the full year?
- M. A. V. Goutham:** What is it pertaining to?
- Rajesh Zavar:** Sir, there is other expenses on line item which you have included in the other expenses.
- M. A. V. Goutham:** 202 crores which is for the current year with 192 crores, last year it was 202 crores. You want the break up for that?
- Rajesh Zavar:** Yeah, the overburden removals sir, where you have placed the provision?
- M. A. V. Goutham:** Overburden provision is not making any provision, because it is charged as and when incurred to the revenue expenditure. And overburden removal expenditure will be on account of two things. One is through departmental means, where it will not be possible to remove the figure, it comprises of the material, wages and other things. And it is also taken up through contractors also. The total overburden quantity we have removed last year and this year if you see. Last year the total overburden quantity removed from the mines is just 58 lakh cubic meters. Last year total overburden removal is 58.81 lakhs cubic meters, whereas this year it amounted to, just one minute, I would correct myself, last year total overburden was, in the current year if you take like 58.81 lakhs cubic meters, last year around 45 lakhs cubic meters, 45.76.
- Rajesh Zavar:** Okay. And sir, anything budgeted for FY13?
- M. A. V. Goutham:** For the next year, for the year FY13, the overburden removal we are projecting at around 48 lakhs cubic meters, but we are going to exceed this.
- A. K. Mehra:** Target, probably we will exceed the target.
- Rajesh Zavar:** Okay, will do sir. Thanks.
- Moderator:** Thank you sir. The next question comes from Mr. Ram Modi from Dolat Capital. You may please go ahead sir.
- Ram Modi:** I was just observing our employee cost, it has been pretty volatile, one quarter it was around 56 crores and then next quarter it moved to around 62 crores. This has been the trend for the last three-four quarters. So, what should be our normalized employee cost for now from here on sir? Should it be around 63-64 crores or how do we look at this number sir?
- M. A. V. Goutham:** Employee cost for the entire year in the current year is 236.08 crores. Correspondingly last year we had 202 crores. It is almost 34 crores increase. 34 crores will be comprising of various elements. Number one is, normal inflation and increment cost. And also especially in case of the workers and other things, it depends upon the quantum of their production, because it is a variable quantity. So, we think it is going in line with the present trend. As far as the trend is concerned, it is consistent; about 4% to 5% increase will be there on a year on year basis. Last year we had made certain provisions on account of retirement and terminal benefits and other things. So, small marginal variation can be there in that, that I have to see.
- Ram Modi:** Okay. And what was our royalty expenses this quarter sir?
- M. A. V. Goutham:** Royalty is 4.2% on the sales value. The rate is 4.2%. In absolute terms, in the current year royalty cost is 33.1 crores, because realization has come down, so accordingly the royalty which is on proportionate basis, percentage basis, it has come down. Last year it was 43.5 crores.

- Ram Modi:** Okay. Sir, just the last question for Mr. Mehra; Mr. Mehra, how are you seeing the current imports into India in terms of manganese ore and is that increasing, decreasing and how are domestic players in terms of competitive to those international imports?
- A. K. Mehra:** Imports in the country are increasing day by day; especially imports are being made with respect of only high grade ore. High grade would mean that above 40%. The imports, you can note it down, the imports of manganese ore for the financial year 2010-11 was 12.9 lakh tonnes, whereas in the previous year that is 2009-10, it was just 7.97 lakh tonnes. For the year 2011-12, what we anticipated was, we don't have the right figure right now, but it will be somewhere about 16 lakh tonnes.
- Ram Modi:** That's a pretty big jump almost, 15% to 18%.
- A. K. Mehra:** I have given 2009-10, it was 7.97 lakhs, 2010-11 it is 12.99 lakhs. And 2011-12, this quarter I have correct, for the first quarter as far as the DGFT figure, it is 3.94 lakh tonnes. And for the whole financial year, it is expected to cross 16 lakh tonnes definitely. And that is the import is of the high grade ore, 95% of the quantity imported is for high grade ore.
- Ram Modi:** Okay. And how is the pricing in terms of, MOIL price is slower than them or higher than them currently?
- A. K. Mehra:** MOIL prices are nearly same, because you cannot keep higher or lower. It is difficult these days. Their access to import very comfortably and the imported grades are also better in terms of the homogeneity. But, nonetheless the prices are nearly same as that of the imported ore.
- Ram Modi:** As of imported ore, so this will continue the kind of pace in terms of imports will continue.
- A. K. Mehra:** The country's production during the calendar year is 2.6 lakh tonnes, 2.6 million tonnes. The import as I told is about 1.6 million tonnes and that too high grade ore. Total domestic requirement seems to be approximately about 4.2 million tonnes. So, naturally the requirement is going to go ahead, because of the large fraction in steel growth as well as India itself is a major exporter of manganese based alloys, that is the reason why imports are taking place.
- Ram Modi:** Okay. Thank you sir.
- Moderator:** Thank you sir. The next question comes from Mr. Rakesh Vyas from HDFC Mutual Funds. You may please go ahead.
- Rakesh Vyas:** Hello, good afternoon sir.
- K. J. Singh:** Very good afternoon Rakesh-ji.
- Rakesh Vyas:** Sir, first of all just wanted to understand on this trend about import and what we produce, I believe in the inventory figure of almost 1,58 lakh tonnes, we don't account for the fines. So, this is primarily better grade ore. Is that correct sir, the first assumption?
- A. K. Mehra:** First assumption, as far as fines we agree. But, second assumption is that it is all of high grade, it is not high grade, it is low grade, medium grade and some part is high grade.
- Rakesh Vyas:** Got it sir. My next question is that I agree lot of import is happening for significantly higher grade of ore. But, it is quite surprising that at the same time our fine sales are also going up. So, I am just wondering where is the trend going for the consumption pattern, is it likely to be more of high grade and fines and middle grade is not taking so much of demand?
- A. K. Mehra:** No, no, high grade demand is always there. High grade demand will always exist because the producer requires high grade ore. The higher the grade, the lower are the impurities. They will take high grade, but price wise it is higher. And the medium grade, they are normally, they import high grade and they mix with the domestic low grade and the medium grade, so that they make out the proper blend for producing the Ferro grade of ore, Ferro alloy.
- Rakesh Vyas:** But sir, then it is quite surprising that we are able to sell lot of fines, which is probably the lowest grade compared to the inventory which we hold, which is of medium grade. So, I am just trying to understand, medium grade is?
- A. K. Mehra:** Our CMD will reply to this.

- K. J. Singh:** Actually see, fines are accumulated in our plants, so it is also our duty to dispatch fines also. And mostly during the rainy season, it becomes difficult to dispatch the fines due to rain. So, we try to push it right from October-November, January and February, March and March, April, May.
- A. K. Mehra:** Okay. But, typically sir, how is the demand better, I am trying to understand that side.
- K. J. Singh:** Demand is always for the Ferro grade and high grade. But, we try to push them also.
- A. K. Mehra:** Okay. Is there accumulation in the stock sir year on year for these two grades?
- K. J. Singh:** See, it is a byproduct, whenever we go for lumps and (not clear), that is the byproduct of fines also. And more ever we have some accumulation of fines since very long that is also disposed.
- A. K. Mehra:** But sir, for these two grades, Ferro and Silico Grade, year on year have we seen reduction in inventory or we have seen inventory getting high?
- K. J. Singh:** There is increase in production and reduction in inventory also.
- A. K. Mehra:** Okay, got it sir. Thank you so much.
- Moderator:** Thank you sir. The next question comes from Mr. Sachin Relekar from TATA Mutual Fund. You may please go ahead.
- Sachin Relekar:** Yeah, just wanted your view on the macro thing, like this quarter we are seeing the prices have improved, while for the last four-five quarters we have seen the price actually dropping on this. So, what has changed? Is there any margin supplier went out of the market, because on the demand side we are not seeing much change, at least for the global steel production and all. What is changing?
- K. J. Singh:** Yeah, we are in India and we will concentrate only on India. India steel production has gone up. As I just now mentioned, if you see the production of steel of the country, it has gone up by about 8% compared to the world production, the average growth is just 5.4%. India's production is higher than the world average also. And looking to the condition and scenario, the demand on manganese ore will keep on increasing, because the country's steel production is going to go ahead. Demand on manganese ore will increase in coming days. And once the demand is there, naturally the prices are always going to be firming up.
- Sachin Relekar:** But, globally have you seen the high cost suppliers and all cutting down their production, because prices have come down quite rapidly?
- K. J. Singh:** You are right. The production also, if you see on a year on year basis, the world manganese ore production, when you compare to the previous year has gone down. World manganese ore production in 2010, when compared to 2009 has grown by 33%, whereas when you compare 2011 and 2010, the growth is just 4.99%. So, the world production of manganese ore has also not been commensurate to that extent. And they have reduced production, but the demand is there and not only there are major producers, other countries are also producing, so that production will keep on increasing worldwide also.
- Sachin Relekar:** Okay. And in terms of new production like the cost would be on a higher side or where would be the cost? Where they lie on the cost, is it like the new cheaper sources of manganese ore...?
- A. K. Mehra:** I could not understand your question, in the case of new mines, you mean to say?
- Sachin Relekar:** Yeah, in the case of new mines.
- A. K. Mehra:** In the case of new mines, it depends upon the source where we are going to dig. If it is an open cast production, normally the cost is on the lower side. Whereas, if you want to go for underground mining for whatever technical reasons, then the infrastructure cost initially will be more and the cost of production from the underground mines is always costlier than the open cast mine. So, here now we are going for the exploration based on that our people will have to decide, whether what type of mining we have to take up initially.
- Sachin Relekar:** This is for our company, I am saying overall, when you are saying globally the production has gone down by 33%, then again it has grown by about 3%-4%, then that new production is it coming at a higher cost or it is coming from a new quality...?

A. K. Mehra: See, it depends upon the situation there, as far as __54:41__.

M. A. V. Goutham: See, we will never have a break up that which company is producing how much. It is very difficult, howsoever you may be able to, but I don't think anybody will be able to get company wise worldwide production, cost of production that is. It is a very difficult thing.

Sachin Relekar: Okay, thank you sir. Thank you so much. Thanks for your information.

Moderator: Thank you sir. Ladies and gentlemen, if you have a question, please press * and 1 on your telephone keypad to ask the question.

Ladies and gentlemen, if you have a question, please press * and 1 on your telephone keypad to ask the question.

Moderator: There are no further questions. Now, I would like to handover the floor to Shri. K. J. Singh for his closing comments. You may please go ahead sir.

K. J. Singh: Dear investors, we are very much thankful for your cooperation and the faith you have reposed in us. And we will try that there is improvement and we are finding a very good time for the improvement in the production as well as sales for the quarter 2012-13 and because the country's production of (not clear). Now you have heard from our Director – Commercial. So now we are very much hopeful that the company will grow, will have a very good future. And moreover we have now received PL from the Government of Maharashtra for about 600 hectares of land and will start the work immediately. We are also trying to go abroad for a portion of mines that is also in our mind. So, the company will have very good future. Thank you very much.

Moderator: Thank you Mr. Singh for your closing comments. Mr. Kapoor, would you like to say something sir?

Kapoor: Yeah, we would like to thank the management for providing us the opportunity to host the concall. And we would like to wish them all the best in their future endeavor. Thank you sir.

K. J. Singh: Okay, thank you. Thank you very much. Thank you.

Moderator: Thank you. Ladies and gentlemen, this concludes your conference call 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 day.