Transcript

Conference Call of MOIL Limited

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Presentation Session

Moderator: Good evening ladies and gentlemen, I am Mary, moderator for this conference. Welcome to the Q2FY12 earnings conference call of MOIL Limited hosted by IDBI Capital Market Services Limited. At this moment all participants are in listen only mode, later we will conduct a question and answer session. At the 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 Mr. Pratik Gandhi from IDBI Capital Market Services Limited. Please go ahead sir.

Pratik Gandhi: Thank you Mary. Good afternoon everyone. On behalf of IDBI Capital Market Services Limited we welcome you all to Q2FY12 earnings call of MOIL Limited. We have with us the management team of MOIL. I would like to hand over the floor to the management for further proceedings. Over to you sir. Thank you.

K. J. Singh: I am K. J. Singh, CMD MOIL Limited. Very good afternoon. This second quarter performance of this year 2011-'12 is very good. Our production, we have achieved 2,30,747 metric tons and sales is 2,70,856 metric tons and our sales turnover is 250 crores and profit before tax is 151 crores, profit after tax is 101 crores. If you see the six monthly report, our production is 4,70,224 metric tons, sales is 4,92,203 metric tons and sales realization that is sales turnover is 458 crores and profit before tax is 314 crores, profit after tax is 208 crores. If you compare with the last year's performance, quarter 2 of the last financial year, our sales turnover is 13% less than the last because what happened, from January to July we had to reduce the prices to 40% and if you see the total financial performance of the half-yearly, the reduction is almost 25% of the last quarter. We can start the questions now.

Question and Answer Session

Moderator: Thank you sir. Ladies and gentlemen, we will now begin the question and answer session. If you have a question, please press * and 1 on your telephone keypad and wait for your turn to ask your 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.

Ram Modi: Hello.

K. J. Singh: Hello, yes. Very good afternoon, K. J. Singh, CMD, MOIL Limited.

Ram Modi: Good afternoon Singh saab. Sir, two, three questions, primarily first thing is how much have we liquidated inventory during this quarter or…

K. J. Singh: Yeah. Actually if you see, whatever we have produced, we have sold total and still we have inventory of about 1,50,000 metric tons, which we expect to be liquidated in the coming six months.

Ram Modi: Okay. I believe last quarter when we ended, we were around 1,91,000 tons sir…

K. J. Singh: But now it is 1,56,000 tons.

Ram Modi: Okay. Sir, can you just give us a broad mix in terms of how have been our, in terms of the high grade low grade ore, in terms of manganese? Or has it been more of high grade, and what has been the realization during the quarter?

K. J. Singh: If you see the production of this quarter, our dioxide production was 4000 metric tons and ferro grade production was 2,51,000 metric tons as against 2,50,000 same quarter last financial year. And if you see the dioxide with 4000 tons and the same quarter of the last financial year, it was 5200 metric tons. The LGHS 1,15,000 tons and last financial year was 1,36,000 tons. And fines we are able to produce 1 lakh tons as against 1,30,000 tons last financial year of the same quarter. This is because the fines whenever it is sold, only then it is taken into production. Generally in monsoon season these fines, this thing is lesser than the other part of the financial year.

Ram Modi: Okay. And what was the realization sir?

K. J. Singh: Average realization is Rs.8,250 per metric ton.

Ram Modi: Sir, if you look at…

K. J. Singh: For the six months and we are expecting the realization to increase to Rs.8,260 per metric ton.

Ram Modi: This is for the first half. And what was it for Q2FY12?

K. J. Singh: Q2FY12 Rs.8,150.

Ram Modi: Okay sir, now on demand outlook and then realization outlook, can we expect that these realizations will now continue for at least next 2 quarters? Are you seeing the bottom up in prices in the manganese ore now?

K. J. Singh: Yeah. This is bottom of the prices, now it will increase because if you see, there is slightly decrease in realization in the second quarter than the, because from January to July there was reduction in the prices, but from this quarter we have not reduced even a single paisa and the lifting is good.

Ram Modi: And sir what would be your dispatch or the listing target for this year now?

K. J. Singh: 11,50,000 around.

Ram Modi: Sir, if you look at our half yearly performance, we did around 4,90,000 tons, so do we expect almost 0.6, 0.65…

K. J. Singh: Because maximum lifting and production, both is in the second half of the year.

Ram Modi: Okay. And sir now your outlook on demand and supply, how is it shaping up in India, are we seeing increased pressure from import?

K. J. Singh: Demand will keep on increasing, actually what is happening there, there is import from other countries also. Import has increased from 8 lakh tons to around 1 million tons, but demand is there. Demand is there in the country, the requirement is approximately 4 million tons and out of 4 million tons 2.8 million tons has been produced indigenously and around 1.2, 1.3 million ton has been imported.

Ram Modi: Okay. So you do not see any prices reduction at least…

K. J. Singh: No, no prices reduction

Ram Modi: Okay, thanks a lot sir.

K. J. Singh: Thank you.

Moderator: Thank you sir. Next question comes from Ms. Neha Manpuria from JP Morgan.

Neha Manpuria: Sir, thanks for taking my questions. First is if I were to look at your pricing sheet that you released for the December quarter, there is a significant increase in the available quantity of your fines, like you mentioned that usually in monsoons we see a lower production of fines, so what is the reason for the higher inventory of fines then?

K. J. Singh: What happens, there is no inventory of the fines, whatever fines, because fines are available since last 30, 40 years, so whenever it is sold, it is taken into production, so there is no dearth of fines available in our this thing, we have sufficient fines in our…. Just our Director Production will reply to this question.

G. P. Kundargi: Good afternoon ma'am.

Neha Manpuria: Good afternoon sir.

G. P. Kundargi: Actually we have released about 4.5 lakh tons of manganese ore for the half year , fines percent is only 90,000 tons out of that, and mostly it is low grade, 25%, 30% quality is also there, but fines we have released the availability as 90,000 for the quarter, out of which around 70,000 is booked…

Neha Manpuria: Okay, so what is booked for sale is what is shown here essentially. So if I were to look at this then I think that you could see a decline in realization quarter-on-quarter even though we haven't changed prices because we will have a higher sale of fines in the third quarter, am I correct in assuming that?

G. P. Kundargi: No, it is not correct. See last year we had sold about 3,14,000 tons of fines and corresponding to that first half year we have sold only 1 lakh ton. So even by selling 70,000, it will be much less than last year.

Neha Manpuria: Okay. And sir could you give us an update on your CAPEX plans as to how our expansion is shaping up and also an update on the 800 hectares of land that you have got, what approvals are pending and what we have got?

G. P. Kundargi: 814 hectares is reserved for us and we had applied for a prospecting license to Government of Maharashtra, out of which 645 hectares land is cleared for prospecting by Maharashtra Government and sent to Central Government. We are expecting this prospecting license to be issued very soon and will be starting prospecting in this area. This is the latest.

Neha Manpuria: Okay. And the other CAPEX projects in Gumgaon mine, etc., how much is it progressing?

G. P. Kundargi: Yeah, other CAPEX plans, we have just commissioned Gumgaon shaft, this month we are commissioning, and commissioned already, trials runs are going for the Gumgaon shaft as well as Balaghat mine shaft. And remaining 6 shafts we are taking up in the next 4 to 5 years, for which we have plans and already at various stages. So, we are planning to expand our capacity from 1.1 million tons present to 2.2. million ton by 2020, for which the development of infrastructure like vertical shaft sinking and deepening of existing shafts is essential, for which we have taken a plan. Already we are commissioning 2 shafts this year and remaining 2 shafts will be commissioned in 2014 and remaining another 4 shafts we are taking by '16-'17. So we will be ready by '16-'17 to lift the production.

Neha Manpuria: Okay. So, sir out of the Gumgaon and Balaghat that you have already commissioned, what sort of improvement in production should we assume for FY13?

G. P. Kundargi: Yeah ma'am. This is, actually now infrastructure is in place at Gumgaon mine and Balaghat mine, and now underground development work we will be taking up, which will take 1 year time from now. After that the production starts coming up, we are expecting at least 60,000 ton production to improve from Balaghat and another 50,000 tons from Gumgaon mine.

Neha Manpuria: Okay, so this will be from next year, after a year.

G. P. Kundargi: I think '13-'14, yeah.

Neha Manpuria: Okay, got it. Thank you so much sir.

G. P. Kundargi: Okay.

Moderator: Thank you madam. Dear participants, please press * and 1 for your questions. Next question comes from Mr. Santosh Kumar from ULJK Securities.

Santosh Kumar: Hello sir.

K. J. Singh: Very good afternoon.

Santosh Kumar: Sir, my question is, can you give us the, this quarter's production and sales volume numbers with grades?

K. J. Singh: Yeah. With grades?

Santosh Kumar: Yes sir, ferro grade, silico grade, and fines, breakup of these three?

K. J. Singh: Total production has been 2,30,747 metric tons, and the total sales is 2,70,856 metric tons.

Santosh Kumar: Okay. Sir, what is the mix?

K. J. Singh: Please hold on. Dioxide is 1378 metric tons in the current quarter, second quarter, and ferro grade is 1,55,246 metric tons.

Santosh Kumar: What is the Silico grade sir?

K. J. Singh: LGHS is 73,547 metric tons.

Santosh Kumar: And balance is fines?

K. J. Singh: And balance fines is 40,678 metric tons.

Santosh Kumar: Okay sir. Sir, what is the realization for each of these products?

K. J. Singh: Realization, just a minute, average is Rs.8,150, dioxide is Rs.5,295.

Santosh Kumar: Okay, so 8450 for blended average.

K. J. Singh: 8150 is overall average.

Santosh Kumar: And what is ferro?

K. J. Singh: Ferro is 10,377.

Santosh Kumar: Silico grade sir?

K. J. Singh: 5,635.

Santosh Kumar: And fines?

K. J. Singh: 3,279.

Santosh Kumar: Okay. Sir, considering the low volumes in first half of the year, what is the company's outlook for FY12 sir, sales volumes and production volumes?

K. J. Singh: Both will be 11,50,000.

Santosh Kumar: 11,50,000 both production and sales volumes?

K. J. Singh: Yes.

Santosh Kumar: Okay. Thank you sir. I will get back in queue.

K. J. Singh: Okay, bye.

Moderator: Thank you sir. Next question comes from Mr. Abhishek Poddar from TATA Securities.

Abhishek Poddar: Hello, good afternoon sir.

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

Abhishek Poddar: Sir, I have a small query on the cost side, the expenses this quarter reported is 1372 million and last quarter it was 834 million. I understand that most part of it is coming from the stock variation, so like the…

K. J. Singh: Our Director-Finance will reply. Kindly repeat the question?

M. A. V. Gautham: Please repeat the question, what is it exactly?

Abhishek Poddar: Sir, basically I am looking at the expense part, so your total expense above the EBITDA has gone from 834 million to 1372 million and out of that 290 million...

M. A. V. Gautham: You have touched on the entire quarter or half year?

Abhishek Poddar: Yes sir, entire quarter, for the quarter 2.

M. A. V. Gautham: Quarter 2, our total sales realization is around 248 crores and the expenditure is 144 crores, profits from operations is 103 crores and added to other income it went to 151 crores. 800 crores, where from you got this 800 million?

Abhishek Poddar: Sir, 800 million was in the first quarter and the second quarter it is 1372 million. Okay, anyway I will come to my question straightaway. So, basically the stock variation, if I am seeing it is coming at 291 million or 29 crores.

M. A. V. Gautham: Okay, 291 million is the reduction in the stock, correct.

Abhishek Poddar: And sir the stock numbers that we got was 191,000 in previous quarter and this quarter is 156,000 sir. So that means that the reduction is something like 35,000 tons.

M. A. V. Gautham: 35 to 40,000 tons, correct.

Abhishek Poddar: Yeah. Sir, that gives me a cost of production of something like Rs.8400 per ton for the reduction in inventory, so is that because…?

M. A. V. Gautham: Actually see, when you have taken this 29 crores, so it is comprising of the three grades, one is manganese ore, second is ferro manganese, third is electrolytic manganese dioxide. Because of the Ferro manganese and electrolytic manganese dioxide, the cost of production is in the range of 35 to 40,000. This 29 is comprising all these three, not only the manganese ore.

Abhishek Poddar: Okay. Is it that the production, was more towards the higher grade, sorry, sales mix was more towards the higher grade manganese ore in this quarter?

M. A. V. Gautham: Yes. To some extent, just I can tell you the ferro manganese compared to last quarter we have sold 4381 metric tons of the ferro manganese against 4000 tons production. That means almost 300 tons production is there in the ferro manganese, which contributes almost 1.5 to 2 crores. Similarly in the case of EMD also, the production and the sales if you see there is almost around 50 lakhs is there on account of the stock adjustment in the case of EMD. Ignore these two, the manganese ore stock has come down by about 20 crores, reduction in the value of the manganese ore. In the terms of quantity as you said 35,000 tons have come down, in terms of value it is around 20 crores.

Abhishek Poddar: Okay. Sir, like one more thing, which has happened because of this, like your per ton unit cost has gone up from like Rs.3700 per ton in previous quarter to Rs.5000 this quarter.

M. A. V. Gautham: See 5000, where from you got this figure?

Abhishek Poddar: Sir, the number I have calculated is, for example, the total expenses, like roughly 140 crores and…

M. A. V. Gautham: See, I will tell you. Average cost of production of the manganese ore is Rs.4049 current quarter, Rs.4371 in the corresponding quarter of the last year.

Abhishek Poddar: Okay, so what it was this quarter, I just missed it.

M. A. V. Gautham: Rs.4049.

Abhishek Poddar: Okay sir, I will take this offline I think, I need some more reconciling. Sir, second is regarding the FY12 target you said is something like 11,50,000 tons. Can we know…

M. A. V. Gautham: The total production is 11,50,000 tons and the sales will also be more or less 11,50,000 tons plus or minus.

Abhishek Poddar: Yes sir. Sir, in FY13 could we get some guidance, what sort of increase should we expect? Is there going to be any other increase in Balaghat and Gumgaon or what number should we look at?

M. A. V. Gautham: Our Director P & P has suggested that two of the shafts work at Balaghat and Gumgaon have been almost commissioned and trial runs are going, so that will add to production to some extent. And as such we see that the production of the next year will be in the range of around 12 lakh tons. 12 lakh tons is almost equal to 5% increase, but this will gradually come. Because what will happen is #1, the shafts will both to sustain the production as well as to some extent increase the production and the expansion of the capacity. This is a continuous activity where the, by deepening the shaft we will be able to excavate the ore at the lower level. At the same time, ore at the higher levels because it is exhausted, so the deepening of the shaft will add to #1 sustain the production as well as to add to some extent to the additional production.

Abhishek Poddar: So your target is like 5% more, so should we expect something like 1.225 million ton or 12,25,000 tons.

M. A. V. Gautham: 1.2 million we can conveniently take it and if at all anything more is there because of the, it will not make much of a difference.

Abhishek Poddar: Right. Sir last question is regarding the cost of production. You just mentioned that you will be going deeper in the shaft, so what kind of cost increase should we expect because of the going down further…

M. A. V. Gautham: It will not make much difference, very marginal difference will be there, it is not significant. Because while the shaft is deepened, the extra cost is only on account of the additional distance of hoisting the material, all manual cost, labour cost, everything will be more or less remain the same. So very marginal difference will be there, it is not substantial.

Abhishek Poddar: Okay sir. Thanks a lot sir. That's it from my side.

Moderator: Thank you sir. Next question comes from Mr. Sachin Relekar from Tata Mutual Fund.

Sachin Relekar: Good afternoon sir.

K. J. Singh: Very good afternoon.

Sachin Relekar: Sir, I have just one question, you were saying that lot of imports pressure or dumping is happening, so which are the countries which is like adding to the pressure, is like, like new supply has emerged in the global markets or is it the other countries don't have a market, so they are dumping here. Like what is the change?

K. J. Singh: Director- Production here.

G. P. Kundargi: Yeah, good afternoon. See, basically India is exporting, second largest exporter of ferro manganese. Not only for the local consumption, but also for the export of ferro manganese the people start importing and about 1.2 million tons they have imported last year. Mainly this import comes from South Africa, Australia, Gabon, and Ghana. And there basically South Africa you see the production is earlier… total reserves or 80% reserves are in South Africa, consumption is less, and they are exporting entirely to China and India also, and Australia also. So consumption is less there, production is more.

Sachin Relekar: So this is actually happening like, you are importing it and value adding it and then again it is re exported?

G. P. Kundargi: Yeah, India is ferro alloy producer, so they are importing and adding value and they are exporting that, for which they are importing. Whereas Indian consumption is around 3.5 million tons, but whereas including imports, our availability is more.

Sachin Relekar: Okay. But sir, are there any new supply destinations has emerged, like Indonesia or those countries…

G. P. Kundargi: Yeah, they are coming in a smaller way, of course, small, small tidbits, but mostly of medium grade ore, Indonesia, Turkey, they are not in the grade. Mainly high grade material comes from South Africa, Australia, Gabon, and Ghana.

Sachin Relekar: Okay, and what will be your understanding of cost curves like how much of this capacity would be not making money, while we are one of the lowest cost producers while world over the cost might be very high, so how much of that capacity would be not making profits?

M. A. V. Gautham: Can you repeat your question, I could not understand. What exactly?

Sachin Relekar: I mean the cost curves of this production, because the incremental production may not be coming at the similar cost like what cost we are producing at.

M. A. V. Gautham: Incremental cost is, you can see our cost of production is, current year, first half year it is coming around Rs.4050 per ton, but it is going to come down because the last 3 months during the monsoon season, so production will not be there, all fixed cost expenditure will be there. The production what we made in this first 6 months is in the range of around 4,70,000 tons whereas next 6 months it will be in the range of 6,80,000 tons because our production target is 11,50,000 tons. So fixed overhead cost will be automatically distributed, so the average cost of production will come down around Rs.3100 or Rs.3400 what we are expecting as per the present times. So (not clear) is in the range of around the same amount, so incremental cost will not make much difference.

Sachin Relekar: Okay, no my question was regarding the import supply which is coming in India, that cost might be higher whereas the price of manganese ore has come down substantially?

M. A. V. Gautham: No, it is not like that, you see the prices of the manganese ore have come down because of the import of the manganese ore and they are supplying at a relatively cheaper rate because the supply of manganese ore has increased substantially globally. Now the market for manganese ore now presently they are concentrating, previously they were not importing so much into India. Now they have identified the Indian market and almost 1.3 to 1.4 million tons was imported to India in the last year, so this trend will continue. And as far as the incremental cost means, the question of incremental cost I do not say, but the cost of imports will be more or less in the same rate, around 5 to 6 dollars per DMTU .

Sachin Relekar: Yeah, so do you see like even though like steel capacity in India going up, even the ferro capacity in India going up still there will be enough imports or that pressure will continue, I mean, the supply from import side is still there and which is likely to remain…

M. A. V. Gautham: It will be there. See, the reason is the total domestic production will not be sufficient to meet the domestic demand, so imports are a must, number one. Number two is because now presently the imports are more a bit because India is one of the major consumers whereas in the case of other places temporarily there is some slackness is there in the demand, so that is one of the reasons.

Sachin Relekar: Okay and sir finally like in the global scenario do you see some of the mines are actually now coming towards the end of their production or something, I mean, the supply itself is shrinking over the next 3, 4 years?

G. P. Kundargi: No, it will not be there because there is lot of reserves are there unexploited available globally and also India also coming up with some more production from private sales also.

Sachin Relekar: Okay. Alright sir, thank you.

G. P. Kundargi: Thank you.

Moderator: Thank you sir. Next question comes from Mr. Dhimant Kothari from Religare Mutual Fund.

Dhimant Kothari: Good afternoon sir. Hello?

K. J. Singh: Hello, very good afternoon.

Dhimant Kothari: Good afternoon sir. What I wanted to understand…

K. J. Singh: How are you, Dhimant ji?

Dhimant Kothari: Fine, how are you sir?

K. J. Singh: Fine.

Dhimant Kothari: Sir, I wanted to understand, how has your resources number moved over the last one decade, you see current resources are around 51 million tons if I am right?

K. J. Singh: Yeah. Actually earlier our resources were 59, exactly 60 million tons, now it has reached to 71 million tons.

G. P. Kundargi: Yeah, but total resource position is 71 million ton, we have ordered some 2.5 million ton of late last year. Our reserve position is around 29 million tons.

Dhimant Kothari: Okay, so if I were to understand your track record for the last one decade or so, how it has moved over the last 10 years?

G. P. Kundargi: See, we are moving well ahead of our production, we are maintaining that kind of resource position at a addition because we are drilling around 5000 meters every year and from this year we have started drilling around 10000 meters per year, so through additional resources as well as convert the present resources into reserves category. So, this will then continue smoothly and of course it is ahead of, our production is 1.1 million ton, we are producing around at least last two years accrued about 3 million tons nearly.

Dhimant Kothari: Okay, so the approved reserves are 29 million tons as of date?

G. P. Kundargi: Yeah, yes.

Dhimant Kothari: Okay, thank you sir.

Moderator: Thank you sir. Next question comes from Mr. Mittul Kalawadia from ICICI Prudential.

Mittul Kalawadia: Hi, good afternoon. Sir, can you help me with, is there any license of our mining which is set to expire or we need to take a re-approval for mining on some of the existing mines?

G. P. Kundargi: In the existing mines most of our licenses have been renewed up to 2022 except I think one mine is coming in 2016, not now immediately because last 2006-'07 only we have already completed our MOEF clearances as well as the renewal of licenses, which were due from 2002. So, it is renewed normally for 20 years.

Mittul Kalawadia: Okay and this 2016 is it some substantial production mine?

G. P. Kundargi: No, it is a small mine.

Mittul Kalawadia: And to reach from 1.2 to 2.2, which you are planning to come up in stages by '14 and '16 and by '22, so what kind of mining approvals and what kind of new mines are there or is it from the existing mines the plans?

G. P. Kundargi: Yeah, actually presently we have got a permission from MOEF to produce about 1.6 million tons, we have got approvals up to 1.6 million tons out of which we have got bigger mines like Dongri mines and Balaghat mines, they have got enough capacity till 2016-'17. Now we have taken up a extensive expansion project study for enhancing capacity from 1.1 to 2.2, so now we will be preparing a fresh mining plan and a detailed project report along with the existing whatever infrastructure are building up and also our CAPEX plan over the next five years and we will be submitting for additional clearances in due course of time so that, that will be well within time when you cross 1.6 million tons we will be having all clearances for 2.2 million tons.

Mittul Kalawadia: Okay and will it be from some new mines or it is from (not clear)?

G. P. Kundargi: It will be from existing mines plus another 814 acre what we have got reserved for MOIL from Government of Maharashtra, so we will be getting another 645 acres out of that prospecting license very soon and that also will help us to add.

Mittul Kalawadia: And this new location is in, where it is sir?

G. P. Kundargi: New location is adjacent to the existing mines only.

Mittul Kalawadia: Which one?

G. P. Kundargi: It is in the Nagpur and Bhandara District in Chikla, Dongri Buzurg and Gumgaon mines. See, this location is adjacent to the existing mining area only.

Mittul Kalawadia: So basically currently what stops you is the demand; if we see a sharp increase in demand in India you can easily go up to 1.5 to 1.6 million tons?

G. P. Kundargi: Yeah, because ours are basically underground mines. We have 100 years old mines and we have some infrastructure like shaft, the shaft is the main source of hoisting the manganese ore from the underground mines and we are having a single shaft having the limited capacities. So, it is difficult to immediately develop and expand the production unless and until you deepen the shafts or provide additional shaft. So that we have taken those projects already and this year we have commissioned two shafts, another two shafts we are commissioning in 2014 and another four shafts we are taking up this year which will take another 3 to 4 years to complete, so once all these shafts are in place we can get access to the lower levels for production simultaneously and that can increase the production along with the open cast and also these 814 hectare, the prospecting will be done in the next 1, 1-1/2 year then that will also add to the production later on.

Mittul Kalawadia: And sir, what are we looking forward for our…

G. P. Kundargi: Crores of cash.

K. J. Singh: Director Finance will reply.

M. A. V. Gautham: It is around 2000 crores are there as on date and the company has at the time of (not sure) going for this sale of shares, offer of sale of shares. We said that we have taken up various projects by way of joint venture with the SAIL and RINL as well as sinking high speed shafts and other shafts at various mines and there is also provision to make development at the Dongri Buzurg mines and also acquisition of the new mines in Bhandara and Nagpur districts. So all these things we made a projection of around 1450 crores approximately. Just the figure I have to cross check, but it is around 1450 crores I remember. So, that is the investment plan what we have envisaged in the coming four years. But see, besides these, whatever further accruals are there because of the operations, they will be adding up to the cash reserves in the coming 3, 4 years.

Mittul Kalawadia: Correct.

M. A. V. Gautham: So, more or less our cash reserves will remain around 2000 crores only even after going for this 1400 crores investment in the coming 3, 4 years. Then coming to the, see the company is also proposing to acquire mines, both within India as well as outside for that though we have not made any specific allocation, this 2000 crores what is available with us it can be spared at any point of time. See, the company (inaudible) in the process of enquiring for mines acquisition both internationally as well as the domestic. So, the process will take some time, till that we will not be able to say how much is going to be invested on account of the acquisition of the mines.

Mittul Kalawadia: Yeah, okay. Thank you sir.

M. A. V. Gautham: Right.

Moderator: Thank you sir. Next question comes from Mr. Rakesh Vyas from HDFC Mutual Fund.

Rakesh Vyas: Hello?

K. J. Singh: Yes, very good afternoon.

Rakesh Vyas: Yeah, good afternoon sir. Sir, a few questions from my side, sir can you help me understand when we have so much of inventory left, why are people tempted to import at this point of time, because I believe now the pricing of our product versus import is more or less similar?

K. J. Singh: Yeah, our director of production will…

G. P. Kundargi: Yeah, good afternoon. See, actually whatever imports are happening they are 44% and above, 44% and 48% with a very low phosphorus which India has not got that much of reserves for this grade of material. What India produces basically is medium grade and low grade and high grade is very limited to about 25% of the total production, so hence we import.

Rakesh Vyas: Okay, so as far as our kind of product is concerned there is no significant competition from import…

G. P. Kundargi: Because our maximum production of more than 60% is coming around 30%, 35% for which imports are comparatively very less.

Rakesh Vyas: Okay, secondly sir during last almost 3 to 6 months the rupee has depreciated a lot from 45 to 50 rupees, so are we likely to see price increase for our product in the coming quarter because if I look at on the landed price basis, we should get this benefit?

M. A. V. Gautham: You have asked a good question, rupee depreciation has actually, in the last two months it is more significant, it came from Rs.46 to Rs.50, but again it is fluctuating, so the company when we have announced this prices on 1st October, I mean, we have not taken this rupee depreciation into consideration for revision of the prices. We kept the price at the same level like the last quarter, but if the rupee depreciation is going to remain at the same level probably it may require some price adjustment in our manganese ore in the next coming quarter.

Rakesh Vyas: Okay so globally we are not seeing prices correcting at least at this point of time for manganese now?

M. A. V. Gautham: As such it is almost come to a situation where the further correction may not be required?

Rakesh Vyas: Okay and sir how big is the China market?

M. A. V. Gautham: China is importing the material from Australia as well as Africa and other places, so there also what we understand is the increase in the production of the steel is not in line with the earlier year, but whereas the manganese ore supply has increased considerably.

G. P. Kundargi: Actually China is producing around 15 million tons of manganese ore, which is around 25% to 30% manganese grade whereas they are importing around 1.6 million tons of high grade ore from Australia and South Africa then blending it and running it.

Rakesh Vyas: Okay, got your point sir. And sir, one question on the financials for this quarter, the employee cost has increased from 55 crores to 61 crores in the current quarter, so is there any one off or is this is a trend?

M. A. V. Gautham: Employee cost it has gone from 55 to 61 crores, see it is mainly on account of some adjustment on account of the provisions as well as some increase in the DA and other things, it is not I mean, 6 crores increase whatever is coming, it is to some extent because of the DA increase and other things are there increments and then we also made some provisions on account of certain, I mean, anticipated costs, so this was made for the entire six months in the current quarter on a conservative side.

Rakesh Vyas: But, we will have a similar provision going forward also sir, is it true?

M. A. V. Gautham: Not exactly the amount, because whatever extra provision what we made in the current quarter pertains to the previous, almost right from January 2007 onwards. This is the entire adjustment we have made in line with the present day situation. So, it may not (not sure) exactly in the same way in the current quarter.

Rakesh Vyas: Okay, because when I look at it quarter-on-quarter 10% increase, the DA impact should not have been so much?

M. A. V. Gautham: No, 6 crores is there mainly because of an account of some terminal benefits of the employees we made some extra provision.

Rakesh Vyas: Okay, great sir. That is it from my side, thank you.

Moderator: Thank you sir. Next question comes from Mr. Ram Modi from Dolat Capital. Mr. Ram Modi please go ahead with your questions sir. I request Mr. Ram Modi to please go ahead with your questions. I am sorry sir; it seems his line is not active. The next question comes from Mr. Anand Raghavendran from Allegro Capital Advisors.

Anand Raghavendran: Hello sir, good afternoon.

K. J. Singh: Very good afternoon.

Anand Raghavendran: Yeah, sir I just wanted to ask you what was the realization during Q2 last year, average realization.

K. J. Singh: Q2 last year?

Anand Raghavendran: Yeah.

K. J. Singh: Around Rs.11,780 last year second quarter.

Anand Raghavendran: And the average for first half was 8260?

M. A. V. Gautham: No, no it is not, 8350 is for the entire six months.

Anand Raghavendran: Okay, but during Q2 it is even lower, right, 8150?

K. J. Singh: 8150 something like that.

Anand Raghavendran: What was the reason that actually pushed the realization lower, sir?

M. A. V. Gautham: As you know we have reduced the prices especially during April-June quarter by almost 30%. Before that in the January-March quarter also there is a reduction to the extent of nearly 38%.

Anand Raghavendran: Okay, it is purely market driven?

K. J. Singh: Yeah, market drive. See, actually every time we have to match the prices with the imported ones.

Anand Raghavendran: So, it is the import one that is actually putting pressure on the domestic prices as such?

M. A. V. Gautham: No, international prices. See, rather than the imports you can put it like this, the overall manganese ore prices in the international market.

Anand Raghavendran: Okay and for the first quarter of this year what was the total sales volume, sir?

M. A. V. Gautham: Manganese ore sales is 2,21,000 tons in first quarter and 2,70,000 tons in the second quarter.

Anand Raghavendran: Okay, so that makes it somewhere close to 6,50,000 for the second half target?

M. A. V. Gautham: Right.

Anand Raghavendran: And is this an achievable target sir.

M. A. V. Gautham: See, third and fourth quarter normally the sales will increase substantially and we are expecting the total sales for the current year around 11.50 lakh tons.

Anand Raghavendran: So, that is like almost 6.5 lakhs for the second half of the year and what is the current quarter realization for December?

M. A. V. Gautham: Third quarter realization we will be able to give the correct picture only after…

K. J. Singh: Current quarter realization.

Anand Raghavendran: No sir, December quarter.

M. A. V. Gautham: Current quarter, 8150.

Anand Raghavendran: No, what I asked was what are the pricing actions that you have taken in the last 1-1/2 months?

M. A. V. Gautham: See, last 1-1/2 months we have not made much adjustment in the prices, the prices are more or less same and in fact just one of your predecessor asked because the rupee is depreciating are we going to adjust the prices upwards?

Anand Raghavendran: Yes sir, so that is why I was asking if you have made any action in the last quarter?

M. A. V. Gautham: Sorry, we have not taken any action, but if we have initiated it will be effective in the next quarter, that is from 1st January.

Anand Raghavendran: Okay, it will be from the 1st January of next year.

M. A. V. Gautham: Third quarter probably we may not.

Anand Raghavendran: Okay sir that's it from my side. Thank you very much.

Moderator: Thank you sir. Next is a followup question from Mr. Santosh Kumar from ULJK Securities.

Santosh Kumar: Hello?

K. J. Singh: Hello yes, very good afternoon.

Santosh Kumar: Good afternoon sir. Thank you for taking my questions. Sir, last quarter in the conference call you discussed about acquisition plans, you said that you have about 6 to 7 Expression of Interest out of which two have been rejected due to high valuation. Now could you give me any update on that development in acquisition part?

G. P. Kundargi: No, out of the earlier acquisition, Expression of Interest we had called and so got some response. As you said rightly there is a lot of, valuation was very on the higher side and we could not materialize that, but after that again we went for a

Expression of Interest, but we have not got a very good size deposits, what we are looking for some minimum size deposit of 4 to 5 lakh ton per annum capacity projects. So far we have not come across, but still our process is on for searching and are also getting help from bankers also, so we are hoping, unless and until you get a proper property, good property we will not be venturing in that.

Santosh Kumar: Okay. Sir, last time when you said that 6 to 8 Expression of Interest, all the Expressions of Interest has been rejected?

G. P. Kundargi: Yeah, most of them because see only 1 or 2 were there, we visited Turkey as well as we visited South Africa, but they were not up to the mark and there was little variation in quality as well as size of deposit and also valuation. So, as you can take rightly all of them are rejected and we are starting fresh now.

Santosh Kumar: Okay. Sir, in the last conference calls you also said that you are interested in acquiring coal and chromite mines as well, any update on those fronts?

G. P. Kundargi: Chromite mine in India we have applied for two mines, but still they are to be taken up from the government of Maharashtra.

Santosh Kumar: Okay. they are greenfield projects, sir?

G. P. Kundargi: Yeah, Greenfield projects, so whatever notification has come from government of Maharashtra we have applied for the leases which have not come up for hearing so far. But if suppose some party comes up with some project on chromite or manganese further overseas we are also showing interest in them.

Santosh Kumar: Okay and what about coal mines, sir?

G. P. Kundargi: Coal as such, so far we have not taken any action on this.

Santosh Kumar: Okay sir. Sir, coming back to the marginal cost of production part, like let me put it in another way. Now in the 2009 or during that period the international manganese ore prices was about $3.5 per ton, I just wanted to know what are the chances that the current prices will decline to $3.5 per ton, in what circumstances?

M. A. V. Gautham: $3.5 per ton probably you are talking about the DMTU, that is realization actually.

Santosh Kumar: DMTU per ton, sir?

M. A. V. Gautham: But DMTU 3.5 has not, I mean, in the recent past it is not there, at one point of time it went up to 18 sometime in 2008-2009 and now it is around $6, but it has never come down to 3.5 at least in the recent past two years.

Santosh Kumar: Okay now if international prices decline to $3.5 per DMTU, what percentage of global production will go under losses?

M. A. V. Gautham: It is a very difficult question for us.

Santosh Kumar: Okay sir, I think that is it from my side. Yeah, what is the outlook for what you are seeing for manganese ore prices, sir?

M. A. V. Gautham: Manganese ore prices, see as far as MOIL is concerned we expect these rate have now come to a level and there need not be any further reduction.

Santosh Kumar: Okay, considering the demand conditions globally?

M. A. V. Gautham: The demand as well as the supply position correct.

Santosh Kumar: Okay sir. Thank you very much for the update.

Moderator: Thank you sir. Next question comes from Mr. Kiran Chheda from Value Quest Research.

Kiran Chheda: Sir, the steel industry is currently going through a slowdown and is expected to remain so for at least a couple of quarters, so in this light what do you see the demand for manganese ore?

G. P. Kundargi: See, actually, first of all good afternoon. Regarding the steel industry the production expected is around 70 million tons this year also, just like last year it was 68 something, so manganese requirement will be in the range of almost 3 million tons for the domestic consumption and around 1.2 million tons for the exports, because India is exporting ferro alloys also by importing manganese ore. So, total demand will be in the range of 4.2 million tons in the current year and actual production is 2.86 million tons last year and it will likely to remain on the same range, so almost there will be demand for manganese ore even if the steel production is constant.

Kiran Chheda: Okay sir.

Moderator: Thank you sir. Dear participants please press * and 1 for your questions. Next question from Mr. Chinten Mehta. I am sorry sir; it seems his line is not active. I request the participants to press * and 1 for your question. There are no further questions. Now I hand over the floor to Mr. Pratik Gandhi from IDBI Capital Market Services Limited for closing comments.

Pratik Gandhi: Thank you Mary. Thank you all for joining us for this call and we would like to thank the management of MOIL Limited for allowing us to host this call. Let me hand over the floor to the management for their closing remark, over to you sir. Thank you.

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

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

Note: 1.This document has been edited to improve readability.
2. Blanks in this transcript represent inaudible or incomprehensible words.