



NAVA BHARAT VENTURES LIMITED

NAVA BHARAT CHAMBERS, RAJ BHAVAN ROAD, HYDERABAD-500082, TELANGANA, INDIA

NAVA BHARAT

NBV/SECTL/ 542 /2018-19

November 12, 2018

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

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

Dear Sirs,

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

Ref: Our Letter No. NBV/SECTL/ 511 /2018-19 dated October 29, 2018

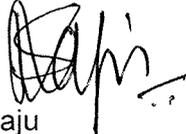
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Please find enclosed the transcript of the Conference Call with Investors / Analysts held on November 5, 2018 on the operational and financial performance of the Company for the quarter and half year ended September 30, 2018.

Kindly take the same on record and acknowledge the receipt.

Thanking you

Yours faithfully
for NAVA BHARAT VENTURES LTD.,


VSN Raju
Company Secretary
& Vice President



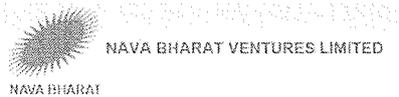
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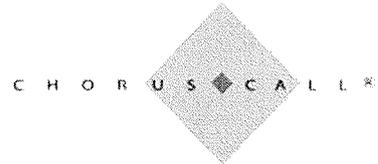
NAVA BHARAT VENTURES LIMITED

“Nava Bharat Ventures Limited Q2 FY19 Earnings Conference Call”

November 05, 2018



sbicap securities
A Tradition of Trust



MANAGEMENT: **MR. GRK PRASAD – EXECUTIVE DIRECTOR**
NAVA BHARAT VENTURES LIMITED
MR. ASHWIN DEVINENI – HEAD (ZAMBIA) & MD
(SINGAPORE), NAVA BHARAT VENTURES LIMITED
MR. T. HARI BABU – CFO
NAVA BHARAT VENTURES LIMITED
MR. PJV SHARMA – DIRECTOR
NAVA BHARAT PROJECTS LIMITED
MR. MN RAO – VP (FINANCE)
NAVA BHARAT VENTURES LIMITED
MR. VSN RAJU – COMPANY SECRETARY
& VICE PRESIDENT
NAVA BHARAT VENTURES LIMITED

MODERATOR: **MR. ABHINEET ANAND – SBICAP SECURITIES LIMITED**





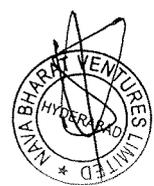
- Moderator:** Ladies and gentlemen! good day and welcome to the Nava Bharat Ventures Limited Q2 FY19 earnings conference call hosted by SBI Cap Securities Limited. As a reminder, all participants' lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing '*' and then '0' on your touchtone telephone. Please note this conference is being recorded. I now hand the conference over to Mr. Abhineet Anand from SBICAP Securities Limited, thank you and over to you Sir.
- Abhineet Anand:** Thanks Vikram. Good afternoon everybody and welcome to the Q2FY19 post conference call of Nava Bharat Ventures Ltd. From the management we have Mr. GRK Prasad – Executive Director, Mr. Ashwin Devineni – Head (Zambia) and MD (Singapore), Mr. T. Hari Babu – CFO, Mr. P. J. V. Sharma – Director, Nava Bharat Projects Limited. Mr. M. N. Rao – VP (Finance) and Mr.VSN .Raju – Company Secretary . Over to you, Sir.
- GRK Prasad:** Thank you Abhineet! Good afternoon and a warm welcome to all the participants. The statement of financial results both on standalone and consolidated basis along with the presentation providing detailed commentary have already been filed with stock exchanges and posted on our website. The presentation seeks to address the dynamics of the various businesses and also the queries occasionally received from the shareholders on a wider investors' platform. I hope you all had a look at them and trust that they provide adequate information on our performance for the Q2 and H1 of FY 2019 ending on 30th September, 2018. We would like to proceed with the question and answer session right away and request you all to seek clarifications as you may desire.
- Moderator:** Thank you very much Sir. Ladies and gentlemen, we will now begin the question and answer session. We have our first question from the line of B. V. Bajaj from Bajaj Shares and Securities, please go ahead.
- B. V. Bajaj:** Good afternoon, Sir congrats for your Q2 FY19 results compared to Q2 FY18. It shows a growth of 52% revenue with exorbitant margin and thanks for your team work. Sir I have only one question; out of our three verticals, power segment has generated better revenue this quarter. How do you relate this to Zambian Power generation and the revenue coming from there?
- GRK Prasad:** I think you are referring it to the consolidated numbers.
- B. V. Bajaj:** Yes, consolidated numbers, you are right Sir.
- GRK Prasad:** The power is driven by the Zambian unit performance because we are talking about 300 MW operations vis-à-vis the operations in India. So, the Zambian company performed there exorbitantly well in the Q2 with both the availability and PLF running almost at their optimal level. So, we could say about two-thirds of the contribution of power came from Zambia in terms of power segment.



- B. V. Bajaj:** So, going forward, can we extrapolate that we can cross about annually revenue generation or EPS of about 26?
- GRK Prasad:** See Zambian operations have been based on availability factor and we see no reason that availability will fall short of this number as far as Q2 is concerned. On an average, we stand by the earlier guidance on the Zambian operations.
- Moderator:** Thank you Sir. We have next question from the line of Mohit Kumar from IDFC Securities, please go ahead.
- Mohit Kumar:** A couple of questions; first one is on Zambia Sir. There was an issue you have been speaking for last two-three quarters. Is there any talk with the Zambian Government so that we can expect the receivables to come down significantly by the end of FY19?
- GRK Prasad:** I would request my colleague Ashwin to answer that.
- Ashwin Devineni:** Hello everyone! So, with respect to the Zambian project, there has been a favorable progress. As you know, on a monthly basis, we get about \$7.5 million to \$8 million which helps us sustain our OPEX. But from time to time the Government along with the State utility ZESCO has been making lump sum payments to essentially reduce the liabilities that get built up on a month on month basis. This essentially enabled us to pay our lenders too, whenever we are servicing the debt, we have not defaulted at all; four debt payments have been made. There have been high level discussions with respect to how ZESCO is going to essentially clear all liabilities, all past liabilities and also how they will ensure that they will make full future payments. These discussions are going on at the top level including with the Ministry of Finance, the Managing Director- ZESCO and we hope in the next few months we will get a good solution that will take care of the past dues and also ensure us regular payments on a month on month basis.
- Mohit Kumar:** So, what is your current expectation that when the issue would be resolved and is it linked to IMF funding of the Zambian Government?
- Ashwin Devineni:** Well, I will answer your second question first. It is not linked to the IMF funding; they are essentially seeking loans through a different route to clear the past outstanding liability. In terms of when it will be resolved, unfortunately I cannot give you a timeline because these discussions are taking place parallelly without our involvement. It is between the Ministry of Finance, ZESCO and a group of lenders but they have been continuously assuring us that they are working on it at the top level and it should be resolved sooner rather than later.
- Mohit Kumar:** My second question mostly pertains to the Indian operations, basically of Thermal Power Plant. I understand the 114 MW was shut down for a considerable period of time so our PLF was low but has the PLF improved in October and how do you see panning it forward for the next Q3 and Q4 given that the much employees have removed up and also the demand in Telangana remains really strong?



- GRK Prasad:** Well, the outages in Q2 were more planned outages for boiler overhauls which are in annual exercise. Usually they take place in the lean season which happened to be the Q2 but they have since then been in operations and we are probably at our full level now. So, we expect the power plant to do well for the balance period.
- Mohit Kumar:** Okay, is there any tie-up for the next quarter for the power plant?
- GRK Prasad:** We have been getting some limited tenders from the local distribution companies as well as for interstate dispatch as well. So, they are for limited periods. We have one tender which is coming up from January to April from the local distribution companies, barring that it will be either a one month tender with some of the distribution companies outside the State or power dispatch through IEX, either way it looks slightly better than it was.
- Mohit Kumar:** Sir last question; is it possible to tell out what are the fuel cost for Q2 FY19 for 114 MW power plant?
- GRK Prasad:** Unfortunately, we do not have the break up details at this point.
- Mohit Kumar:** Sir a rough number will do, is this below 2.5, 2.7 or it is higher than that given that the import coal prices they have moved up, so are we still using domestic coal or is that washery-based reject?
- Ashwin Devineni:** Let me give you just an overview; we have 100 MW of auction linkage for the 114 MW power plant facility. So, we use that coal for 114 MW. As far as subsidiary operations are concerned, in Telangana it goes through E-auction; E-auction for regular coal and auctions for rejects as well as slurry also. So, depending on the actual usage of fuel, the cost varies.
- Mohit Kumar:** Sir is it fair to assume that this is much below the price of the imported coal?
- Ashwin Devineni:** Yes, that much we can tell. We are not using imported coal anyway, that is one reason.
- Moderator:** Thank you Sir. We have our next question from the line of Ravi Purohit from Securities Investments Management, please go ahead.
- Ravi Purohit:** One of my questions has already been answered about the domestic power outlook. Couple of questions; one we have mentioned in your press release that there was a kind of crop holiday for sugar division in India, if you could just elaborate little bit on that and second is, in your press release in the second last line we have mentioned about payout ratio and returning surplus cash flows to the shareholders, so if you could just throw some more light and elaborate little bit more on that and over what period are you looking at that?
- GRK Prasad:** Let me answer the crop holiday first. As you know sugar has been going through severe volatility in the last one and a half year and there were times of spikes but mostly it is a weak scenario as we see it, although with the current release mechanism and some other measures





taken by the Government, the prices have slightly moved up. We feel that once the season commences and new sugar comes in, then the pressure on operations including a mismatch on the price and input cost would again emerge. So, we have considered all aspects and then also that we have been operating for so many years uninterruptedly and the command area probably requires some kind of rejuvenation, so we decided to go for a crop holiday for next year to see that at least we can get a breathing space to take stock of situation how to go forward in this business. And the second question of course is more a corporate statement; we just wanted to confirm that the Company is committed to utilize their resources for the intended purpose which is payout to the shareholders. The policy of course has not been prescribed but you would see on an average we have been paying about 20% of our PAT, that will be the benchmark. The Board is conscious of this payout to happen as and when it should happen.

Ravi Purohit: Okay, there is also one mention in the press release about corporate debt restructuring of NBEIL, and I saw in our Standalone balance sheet of the Company that the debt has gone up. So, did we borrow and lent it to NBEIL and Does it mean that NBEIL has no longer any borrowings from outside financial institutions.?

GRK Prasad: You are right. The idea is that while NBEIL does have cash flows, the previous loan structure is putting some kind of pressure in terms of repayment profile. So, what we thought was to replace that with a loan at the holding company level and have a back to back arrangement with NBEIL so in effect, the NBEIL has a longer repayment profile while the borrowing could be obtained at a slightly lower cost at the holding company level.

Ravi Purohit: Okay, so in effect NBEIL today has no borrowings from outside, it has only one borrowing which is from the holding company and holding company on its books has borrowed it from the banking system.

GRK Prasad: That is right.

Ravi Purohit: We have mentioned in the last one-one and a half year that holding there are no CAPEX requirements, the holding company may actually become net debt free. Do you foresee that happening given that right now the power situation is also becoming more favorable than what it has been in the past?

GRK Prasad: All our efforts are in that direction to see that we become debt free as soon as possible.

Moderator: Thank you Sir. We have our next question from the line of Ajay Jain from Astute Investments, please go ahead.

Ajay Jain: Good afternoon! This is regarding the Zambian operation, what is the rate at which you supply power to the ZESCO?

GRK Prasad: It is actually a two part tariff, so we have availability tariff as well as energy tariff. The PPA operates on an availability basis, so long as our power plant is available then capacity charge is



billed and the power tariff which is energy charge is billed according to the power injected into the system. So, we cannot say a single tariff, it is a two-part tariff.

Ajay Jain: Approximately what is the average?

GRK Prasad: It is about 10 cents.

Ajay Jain: And now the other question is regarding the receivables; can you share what is the growth in receivables in the Zambian operations in this quarter alone?

GRK Prasad: Roughly, we have had a bulk payment actually coming in this quarter, so in effect the quarter increase is not much. So, we are talking about \$100 and odd million, at the beginning of the quarter as well as at the end of the quarter that is \$ 108 Million at the end of the quarter.

Ajay Jain: Is there any interest on the receivables which you get?

GRK Prasad: Yes there is an interest under the PPA which is also billed on a month on month basis.

Moderator: Thank you Sir. We have our next question from the line of Mohit Kumar from IDFC Securities, please go ahead.

Mohit Kumar: Sir on the mining operations which you have roughly considered about US\$ 1.25 million, can we expect the same to continue for the next quarters?

Ashwin Devineni: Yes, so the mining part of MCL has been doing fairly well. You probably know we supply coal both to the power plant and also external customers. The external customers are basically in the domestic market, where demand is fairly strong. So, we were selling essentially record quantities month on month and at least in the near future, we expect that to continue because there has been a fair bit of expansion in the cement industry in Zambia which requires coal, so there is a fairly large demand for the coal that we produce, the high grade coal.

Mohit Kumar: You just talked here related to our transfer price of the coal or is it related primarily to the outside sales?

GRK Prasad: It is primarily related to outside sales.

Mohit Kumar: Okay and how much the quantity is sold outside?

GRK Prasad: It is about 30,000 tons on a monthly basis.

Mohit Kumar: Given the fact, the merchant price is strong and the power demand is slightly picking up, do you expect any solution for 60 MW power plant in the next couple of quarter?



- GRK Prasad:** I wish we could answer that in affirmative immediately because nothing really holds us excepting some metering issue which we spelt out in our presentation. We are hoping for an intervention by the court directing the local distribution company to provide the facility to dispatch power, soon thereafter we would definitely put that unit in the operation.
- Mohit Kumar:** Sir can you throw some light especially on the Ferro Alloy operations, how the prices are panning out and how do you see going forward Q3 and Q4, the spread between the output and input prices?
- GRK Prasad:** Ferro Alloy prices barring a few months have been steady for quite some time now and the principal reason is the domestic steel scenario, which is resurgent. We expect the Ferro Alloys, especially the Manganese Alloys space to be steady in the next two quarters as well. In fact, we are hoping to cross 100,000 tons of sales this year.
- Mohit Kumar:** This is excluding the Ferro Chrome conversion arrangement, am I right?
- GRK Prasad:** That is right, Ferro Chrome conversion of course there is no relationship to market there, it is conversion.
- Mohit Kumar:** So, overall it will be somewhere in the range of 170, 000-180, 000 tons for the year including Ferro Chrome.
- GRK Prasad:** That is right.
- Moderator:** Thank you. We have our next question from the line of Mayank Bhandari from SBICAP Securities, please go ahead.
- Mayank Bhandari:** Sir my first question is on Zambian plant, what is the full year guidance in terms of revenue and profitability expectation?
- GRK Prasad:** The Zambian Company expects revenue of about \$220 million, that is based on 85% availability?
- Mayank Bhandari:** What is the profitability for the full year?
- GRK Prasad:** We were earlier projecting about \$60 million; I think we stand by that.
- Mayank Bhandari:** Okay, does this also include the coal mining profit or it excludes that?
- GRK Prasad:** It is actually on overall Company basis.
- Mayank Bhandari:** Okay, this is what Maamba coal is as a whole?
- GRK Prasad:** Yes.



- Mayank Bhandari:** Okay, and secondly what has been the PLF for NBEIL and the standalone power business.
- GRK Prasad:** Those were given in the presentation but just to brief in, standalone NBEIL went through a large overhaul of turbine in Q2, so the PLF was low in NBEIL but rest of the power plants were more or less steady excepting for the planned outages which we talked about.
- Mayank Bhandari:** Okay, and my last question is; I mean we have seen a very decent merchant price scenario in the last few months. Now that is only a short term phenomena, can you throw some light on the power sector as you are saying demand coming up and merchant prices to remain firm from a longer period perspective or it is just a small view as per your guess?
- GRK Prasad:** We are certainly hoping that this kind of firmness will prevail for a longer period given that the number of large power plants in various stages of Limbo, so we expect the important constituents like coal fired power generation to be steady going forward. So, merchant prices increase in the recent past seems to be an indication of that.
- Moderator:** Thank you Sir. We have our next question from the line of Shrinath V from Bellwether Capital, please go ahead.
- Shrinath V:** I just wanted to find out, what are the kind of prices that we are seeing for the near term PPAs in NBEIL up to March as in what are the kind of prices that are being offered right now?
- GRK Prasad:** They hover around Rs. 5.00 net to us.
- Shrinath V:** That seems like a pretty good price given the current raw material prices?
- GRK Prasad:** Probably not for imported coal plant but for us. Yes, that is from where we are sourcing raw material.
- Moderator:** Thank you sir, we have next question from the line of Vinod Malviya from Florintree Advisors. Please go ahead.
- Vinod Malviya:** Sir my question is relating to Zambia; currently what is the tariff rate at which ZESCO is supplying power to the industrial customers over there?
- GRK Prasad:** ZESCO has multiple tariff slabs, the mining companies used to be supplied power at a very low rate of about 4.5 cents at an average which has since been raised to about 9 cents now.
- Vinod Malviya:** Okay and from when has this been effective?
- GRK Prasad:** This was effective from September billing onwards.





- Vinod Malviya:** Basically the gap between you supplying to ZESCO and ZESCO to end customer has come down to one cent right? Because you are supplying at 10 odd cents and ZESCO in return is supplying at 9 cent right?
- GRK Prasad:** You can't take that kind of a view, ZESCO has 80% of the power coming from Hydro Source, of its own power plants, so the pooled power cost of ZESCO would be much lower. It is not like a back to back arrangement that we have. We supply power to ZESCO, ZESCO pools the power and supplies to various constituents including mining company, for example retail is priced at 10.35, so it could be slightly different there also. But other slabs do exist, so you cannot really say it is a back to back arrangement.
- Vinod Malviya:** But then sir what is the main reason why so much of receivables are piling up? if you assume that the cost of purchasing power from hydro for ZESCO is lower and if they are able to sell power at much higher rate then?
- Ashwin Devineni:** As Mr.G.R.K was explaining why ZESCO was currently facing this liquidity issue, is for two main reasons, one is a couple of years ago when there was low rainfall, there was heavy load shedding and this was election time, they began to import very expensive power from neighbouring countries and other sources which was upto almost 20 cents, which kind of built up a certain amount of owing. The second reason is, there is also a delay in terms of when the mines pay ZESCO and there is also a large owing from government to ZESCO, therefore this is adding to the liquidity issue.
- Moderator:** We have next question from the line of Anirban Dutta from Jet Age Securities. Please go ahead.
- Anirban Dutta:** I just want to seek some clarification, due to the depreciation of the rupee against the US Dollar, what is the impact on the carrying value of debt on the consolidated balance sheet?
- Management:** That actually formed part of the other comprehensive income.
- Anirban Dutta:** Because the debt outstanding as on 30th Sep is actually bit higher than as on 31st March? How much of it would be due to this translation effect, due to a weak rupee?
- GRK Prasad:** Well, we do not have the details now but let us look at it this way, the debt came down as far as Zambian operations were concerned from \$590 million to \$470 million with the repayment in September as well. The actual effect of FX we would probably circulate on a wider platform but it came down.
- Anirban Dutta:** But in terms of dollar the consolidated debt would have reduced by \$40 million?
- GRK Prasad:** Yes.
- Moderator:** We have next question from the line of Mohit Kumar from IDFC Securities.





- Mohit Kumar:** Given that we are repaying loan at a very fast pace in Zambia, does it mean that our interest costs will reduce significantly, while the revenue will remain more or less same, am I right?
- GRK Prasad:** Well, you are right to some extent, yes because the loan repayment is about \$60 million per annum, so to that extent interest will come down.
- Mohit Kumar:** And sir is there any incentive which you earn in Zambian Power plant which is linked to PAT, availability or PLF and how does this incentive work?
- GRK Prasad:** Actually it is there in terms of excess either availability or PLF over 85%, in both cases incentive comes into play which is about 1/4th of the capacity charge which is applicable upto 85%.
- Mohit Kumar:** So, are you saying that your incentive is linked to availability and PLF both?
- GRK Prasad:** These are two different factors right, the capacity charge is for availability and energy is for PLF and power injected and incentive payment is linked to capacity charge based on availability only.
- Moderator:** Thank you as there are no further questions I now hand the conference over to Mr. Abhineet Anand from SBICAP Securities, for closing comments, sir over to you.
- Abhineet Anand:** Once again I would like to thank the management for giving us the opportunity and to all the participants for dialing in. Sir any closing remarks?
- GRK Prasad:** Thank you very much Abhineet and thank you very much everybody for your participation in the call. I hope we have addressed all the queries adequately, couple of information gaps which we would see that it is circulated to exchanges for wider investor benefit. Thank you very much.
- Moderator:** Thank you very much sir. Ladies and gentlemen on behalf of SBI Cap Securities Ltd. that concludes this conference call. Thank you for joining with us, you may now disconnect your lines.

