



NAVA /SECTL / 398 /2022-23
November 10, 2022

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

Dept.of Corp.Services
BSE Limited
Phiroze Jeejeebhoy Towers,
Dalal Street
MUMBAI – 400 001

Scrip Code : ‘513023’ / ‘NAVA’

Dear Sir,

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

--o0o--

Please find enclosed the transcript of the Conference Call with Investors / Analysts held on November 4, 2022, on the operational and financial performance of the Company for the quarter and half year ended September 30, 2022.

Kindly take the same on record and acknowledge the receipt.

Thanking you,

Yours faithfully,
For NAVA LIMITED
(Formerly Nava Bharat Ventures Ltd.)

VSN Raju
Company Secretary
& Vice President

Encl: as above.



NAVA LIMITED
(formerly Nava Bharat ventures Ltd.)
Q2 FY23 Earnings Conference Call

Event Date / Time : 04/11/2022, 16:00 Hrs.
Event Duration : 36 mins 26 secs

CORPORATE PARTICIPANTS:

Mr. Ashwin Devineni
Chief Executive Officer

Mr. GRK Prasad
Executive Director

Mr. Sultan A. Baig
Chief Financial Officer

Mr. VSN Raju
Company Secretary & Vice President

Q&A PARTICIPANTS:

- | | |
|---------------------------------|---------------------------|
| 1. Amisha Shah | : Individual Investor |
| 2. Nikhil Adhyankar | : DAM Capital |
| 3. Abhinav Gupta | : ALD Dynatech Furnaces |
| 4. Samil Hiren Surendran | : Argus Media |
| 5. Neha Sharma | : Pearl Global Investment |
| 6. Naveen Jain | : Florintree Advisors |
| 7. Sameer Joshi | : Individual Investor |
| 8. Mandava Srinivasa Rao | : Individual Investor |

Moderator

Good evening, ladies and gentlemen. I'm Pelsia, moderator of Nava Limited Q2 FY23 Earnings Conference Call hosted by DAM Capital Advisors Limited. As a reminder, all participants will be in listen-only mode, and you will be able to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing * and 0 on your touchtone telephone. Please note this conference is recorded. I would now like to hand over the floor to Mr. Mohit Kumar from DAM Capital. Thank you, and over to you, Sir.

Mohit Kumar

Thank you, Pelsia. On behalf of DAM Capital, we welcome you all to the Q2 FY23 earnings call of Nava Limited. From the management, we have with us. Mr. Ashwin Devineni, Chief Executive Officer; Mr. Sultan A. Baig, Chief Financial Officer; Mr. GRK Prasad, Executive Director; and Mr. VSN Raju, Company Secretary & Vice President. We'll start with brief opening remarks followed by Q&A. Over to you, Sir.

Ashwin Devineni

Thank you, very much, and good afternoon, everyone. Thank you very much for joining us on our conference call for Q2 and H1 of FY23. I hope everyone is keeping well and have had a joyous Diwali celebration. You must have gone through our statement of financial results for H1 FY23, posted on our website and filed with the Stock Exchanges. I consider the performance of Q2 and H1 FY23 to be quite satisfactory in the backdrop of the severe volatility in our operational segment, especially in Q2. Our diversified business strategies have definitely helped us to ride out of the several headwinds we faced. I would like to summarize the operations on a standalone and on a consolidated basis as follows.

Standalone operations, the total income for H1 FY23 grew by 17% year-on-year, and profit after tax for H1 FY23 grew by 58% year-on-year. Though, there has been a degrowth of income by 40% in Q2 FY23 quarter-on-quarter, the EBITDA fall was contained at 14% quarter-on-quarter. With respect to the consolidated operations, the total income for H1 FY23 grew by 33% year-on-year, and profit after tax for H1 FY23 grew by 22 times year-on-year. Though there was a slight degrowth of income by 21% in Q2 FY23 quarter-on-quarter, the EBITDA fall was contained at 4% quarter-on-quarter, which is almost nil. Some of the salient features, I think the power division sustained the growth for H1 and steady performance in Q2, with the 60 MW IPP in Odisha being the lead contributor.

The power generation was, however, severely impacted by the low availability of coal and steep increases in costs and subdued merchant power market during the lean season in Q2. The manganese alloy went through the anticipated cyclical correction, both in export and domestic markets, with the latter taking the brunt on account of the slowdown in the domestic steel industry. Maamba Collieries Limited displayed a significant turnaround, both on the operational front and in the cash flow sustenance.

The prospective reduction of power tariffs had the desired result of Maamba Collieries Limited, with the entire power sales from May 2022 onwards being realized in full. With the clear visibility of cash flows, the debt restructuring package proposed by Maamba Collieries Limited is under consideration

by the lender. Though whole sales in MCL were far lower than anticipated owing to market constraints, momentum has since picked up. With the full-fledged membership in the Southern African power pool, Maamba Collieries Limited power operations have significant flexibility now to optimize the power operations with multiple offtake agreements. I would also like to appraise you of certain ongoing corporate developments as follows.

Exploration work on the manganese ore concession in the Ivory Coast is in positive progress. The monetization plan of the urban land and sector bar is taking final shape and is expected to be firmed up by the year-end. The avocado plantation is ongoing on the initial parcel, which will be expanded in phases over the next two years. Yields are expected in 4 years. Other commercial agricultural and processing opportunities are currently under evaluation. The healthcare services operations in Singapore and Malaysia are on track, and we'll be turning cash-positive in the next financial year.

We, as a Company, affirm that our strategy of building resilience in our balance sheet has been repaying us with the benefits, and we will continue to do so going forward. With this, we should be open to any further detail the floor is seeking. I look forward to having an active interaction with all of you on this call. Thank you very much.

Moderator

Thank you, Sir. Ladies and gentlemen, we will now begin the question-and-answer session. If you have a question, please press * and 1 on your telephone keypad and wait for your turn to ask the question. If you would like to withdraw your request, you may do so by pressing * and 1 again. Ladies and gentlemen, if you have any questions, please press * and 1 on your telephone keypad. We will wait for a moment while the question queue assembles. The first question comes from Amisha Shah, an individual investor. Please go ahead.

Amisha Shah

Hello. First of all, congratulations on your results. Sir, my first question is, you have INR 500 crore cash in standalone, which you won't be using to repay your MCL debt, as you have no recourse. That leaves us with a very interesting point now. Our cash balance is close to 15%-20% of the market cap. Plus, you have, sooner or later, coming up with your next HYD project, which will have a balance of more than INR 1000 crores to INR 1500 crores in our balance sheet. With no land for expansion in Ferro-alloys and no power plant, which is already running at a capacity of close to 50%, there's no Capex on that front.

I want to understand that, by any chance, we are planning for delisting, as it makes more sense for promoters, or what's the imminent mindset of deploying cash which can give us an ROE of more than 20%? There are other businesses which promoters can take on an individual basis, like NBFC or some other kinds of businesses. We need to understand what is the ultimate roadmap or do you want to give a message to an investor that, you will come out with a dividend policy, so, an investor will be more assured, for something like that?

GRK Prasad

We take your point very well. In fact, that is one of the agenda items that management is on, in terms of how to do the capital allocation going forward. As you rightly pointed out, we are probably better off than many, in terms of the existing cash balance, which we would like to use prudently in whatever growth that could fetch us the return, more than what has been projected for the shares. So, at this stage, on the positive, we don't have more details, but a lot of work is going on in the backend. So, we would probably be coming out with a proper allocation of opportunities further.

Ashwin Devineni

With respect to the Maamba Collieries debt, I think with on a non-recourse basis, there is absolutely no risk to the parent company as such. So, there's absolutely no need to use NAVA cash to repay any of Maamba Collieries' obligations.

Amisha Shah

I have one more question. The volume of Q2 FY23 on Ferro-alloys is significantly lesser, and it's an obvious reason for the export decision taken by Diwali. So, we assume, you would have at least four or five months of sales volume to be done in Q3 FY23. Can we assume that the quantum of numbers would be higher than in Q1 but the margin lower for FY23?

Ashwin Devineni

Well, the inventory, as you find out, we're getting liquidated as we speak, and we don't expect the same kind of performance as in Q1 for the balance months. But we see some uptick in performance levels which will be correctly reflected in Q4.

Moderator

The next question comes from Nikhil Adhyankar from DAM Capital. Please go ahead.

Nikhil Adhyankar

I would like to know the status of the arbitration case for the Africa business.

Ashwin Devineni

The arbitration on the areas with ZESCO is currently underway, and the final hearing is scheduled during mid-December timeframe of this year.

Nikhil Adhyankar

Okay. Have you started selling power in pool from Maamba?

Ashwin Devineni

Yes, we have started selling power. Some power in the Southern African power pool.

Nikhil Adhyankar

What are the realizations over there?

Ashwin Devineni

The Southern African power pool is kind of like their exchange. The rates fluctuate. So, if I just give you the average, in terms of the Southern African power pool rates, how they have been, the one-year average is around 9 cents, and then the six months average is about 10.4 cents. The rate has been varying.

Nikhil Adhyankar

What are the receivables in Zambia?

Ashwin Devineni

The total outstanding?

Nikhil Adhyankar

Yes.

Sultan A Baig

The outstanding is only till the 30th of April 2022, because from 1st May onwards, we have a revised tariff agreement with ZESCO, and we are getting paid in full for the energy that is being supplied. The receivables under the old PPA, which have been stalled or not increasing since 30th April, stands at \$577 million.

Nikhil Adhyankar

Regarding the Indian business, do we have any power tie-ups for the Indian power plants?

GRK Prasad

No, we don't have a PPA. We sell separate power on either IEX or short-term contracts.

Nikhil Adhyankar

Are we not looking at any PPA to be signed in the near future?

GRK Prasad

No. We cannot get into a PPA because of the size of the power plant, one. So, that effort is on in the setup of our Indian subsidiary, which is 150 MW.

Nikhil Adhyankar

Can you just give us an outlook regarding the ferro-alloys industry for H2 FY23 or, say, for FY24 as well?

GRK Prasad

We can only, at this point, estimate what has been happening in the last few months, including October. What we saw is a severe dip in August and September and a definite recovery in October, and we see some firming up of prices in the coming Orders as well. That being so, we expect some kind of normalcy will be in place in terms of pricing, effective from Q4. Q3 also could be slightly subdued, maybe better than Q2 in terms of realization, but I think normalcy is expected only in Q4, and we look forward to a better time definitely in FY24.

Nikhil Adhyankar

One last question. What were the operating profit and net profit for Zambia operations?

Sultan A Baig

EBITDA is at \$40.3 million, which is 57.2%.

Nikhil Adhyankar

Okay, 57.2%. And Sir, profit?

Sultan A Baig

Profit is \$14.7 million.

Nikhil Adhyankar

\$14.7 million. Thanks a lot.

Moderator

Thank you, Sir. I request the participants to restrict to two questions in the initial round and join back the queue for further questions. And the next question comes from Abhinav Gupta from ALD Dynatech Furnaces. Please go ahead.

Abhinav Gupta

This is regarding the \$250 million arbitration that you had for MCL. You have given a note that arbitration has settled in your favour. Can you just comment on that?

Ashwin Devineni

Yes. The arbitration is for a much larger amount of outstanding. The \$250 million you're talking about was an interim payment award that was passed by the Tribunal. That award was subsequently challenged by ZESCO, and it went into a hearing at the High Court in the UK. We are happy to note that we won that hearing just recently in the month of September. And the final hearing for the entire arbitration is due during the mid-December timeframe of this year.

Abhinav Gupta

Okay. So, now we are sure to get this \$250 million, correct?

Ashwin Devineni

Well, I'll put it this way the \$250 million has already been passed. Out of the total amount, the Tribunal has decided that we are definitely owed \$250 million. Now, over and above that, that's basically what is going to be discussed during the hearing in December.

Abhinav Gupta

Okay. Thank you, Sir.

Moderator

The next question comes from Samil Surendran from Argus Media. Please go ahead.

Samil Surendran

Would it be possible to get your production as well as sales detail for this quarter for the Ferro-alloys section?

Sultan A Baig

It has been published as a part of the results, but for your benefit, I'll briefly go through it. Ferro-alloy's revenue was INR 204.94 crores.

Samil Surendran

I'm asking about the output volumes in tonnage.

Sultan A Baig

25,697 metric tonnes, and sales were 15,428 metric tonnes of silico manganese.

Samil Surendran

What about Ferrochrome? Did we have any ferrochrome production this quarter?

Sultan A Baig

It was 14,600 tonnes. Yes.

Samil Surendran

Okay. And similar would be the sales figure?

Sultan A Baig

Yes, because the ordered quantity has been produced and transferred to TSML.

Samil Surendran

What would be the total for the H1?

Sultan A Baig

H1 total for silico manganese was about 52,000 tonnes and sales 37,000 tonnes

Samil Surendran

The last question is, would you expect any drop in your output levels in this quarter?

GRK Prasad

Silico manganese should continue. So, a small reduction might be there because of a lack of power and some planned outages, but as far as Odisha operations are concerned, as you probably know, we are switching over to manganese alloy. So, the plant will remain shut for one month in November, and to that extent, there will be a shortage of production.

Samil Surendran

Okay, Sir, that's all from my side. Thank you for taking my question.

Moderator

The next question comes from Neha Sharma, Pearl Global Investment. Please go ahead.

Neha Sharma

I just wanted to know, as we speak, we see our power rates have come down sharply, but offtake might have got affected. So, what's an internal target for the year for our all-Indian power plants?

GRK Prasad

I think Indian power plants have certain challenges. One is, of course, rates, as you pointed out. The other thing is the coal availability and the cost of coal for power generation, which seem to be going up without any reference to the stages. So, what we are currently doing is to make the sales on the merchant market where there is a clear trade-off, especially what is happening in Odisha operations, but in Telangana operations, we do not see that opportunity because the cost of coal is higher here.

Neha Sharma

Okay, and Sir, one more, I want to understand now that as we are receiving the payments from ZESCO regularly, so you will be repaying the debt, obviously, but ultimately, at any given point of time, does a thought come across the management's mind, that when would we get the money back to India?

Ashwin Devineni

Yes, I think that thought has always been on our minds. I think our efforts have always been to declare dividends there, so it comes back to India. Fortunately, I think things have taken a positive turn, and with the recent events where we've renegotiated the tariffs, and we've been paid in full, and we've also approached the lenders for restructuring, which essentially would give way for us to declare dividends, we hope that it will happen sooner rather than later.

Neha Sharma

Okay, that's it from my side.

Moderator

The next question comes from Naveen Jain, Florintree Advisors. Please go ahead.

Naveen Jain

I just wanted to check what is the debt on the books of the Zambian entity right now and the resolution process that we are working on. What is the kind of broad terms that we're looking at? Is it like we are going to repay the entire thing in full or part, or how is it? What is the outcome that one can expect?

Sultan A Baig

The principal outstanding on the Zambian Subsidiary is \$413 million.

Naveen Jain

Okay.

Ashwin Devineni

Yes, and on the restructuring, it's a little bit early to disclose what the proposal is now, but I think our efforts are essentially to work on a proposal so that as we continue to pay the principal and interest.

Naveen Jain

And this \$250 million, or whatever we get in arbitration eventually, by what timeframe do you think the final hearing is expected? Soon, as you mentioned, and after that, by what timeframe do you think this payout will happen? Roughly, I mean.

Ashwin Devineni

The \$250 million is an interim payment award. The final hearing is in mid-December. We have been engaged with ZESCO, and they are aware of what is going on, and they have been engaged with us in terms of figuring out a way and a plan in which they will pay the arrear. So those discussions are still underway, but I think we need to get a grasp on the quantum first, and then they can jot out a plan.

Naveen Jain

Is it fair to assume that the debt resolution plan is also dependent on this? I mean, whatever money comes in, a part of it goes towards this debt resolution, right?

GRK Prasad

In a sense, to some extent, but we need to have a clear plan, as Ashwin said, to really talk about numbers in detail.

Naveen Jain

Just one last question on the monetization plan of the land bank. I guess you've made some progress in this quarter, as you mentioned in your opening remarks. Any broad prospect as to what we are looking at? Are we looking to develop this land bank? Or are we looking to sell out entirely the land itself? Any broad sense that you can share?

Ashwin Devineni

See, I think development was on our mind, but then I think we are looking at a sale, for the most part of it. This is a large parcel, as you're probably aware. We've been taking various actions to ensure that we get the best valuation, and we've also been engaged with some of the top real estate firms in terms of how to position it so that we get the best plan. But I think we are more inclined right now towards a sale, as opposed to development.

Naveen Jain

Considering that we have a fairly strong balance sheet and one of the participants asked that there's no real CapEx plan as far as the Indian **Business** is concerned. So, looking at the development opportunities here, you are not very inclined towards it.

Ashwin Devineni

No, I think we don't rule out any opportunity. We, as a company, are very conservative in terms of the actions we take. We really make sure that risks are mitigated. But when the right opportunity arises, we are fortunately in a very financially sound position that we can jump on it, domestically or internationally.

Moderator

The next question comes from Sameer Joshi, an individual investor. Please go ahead.

Sameer Joshi

Basically, I have two questions. One is, how much incremental or differential EBITDA has been received, by switching from ferro-alloys to silico manganese? And the second thing is, which part of the business will get affected in Q3 because of either shut down or overhaul of any of the plants within the company?

GRK Prasad

Well, I guess whatever you're asking probably can't be answered now. Our idea is to get into silico manganese production in Odisha, to have a better and higher platform for manganese alloys, given the underlying strong demand that is coming from the steel industry. In terms of the downside on account of the shutdowns and all, some of these shutdowns are planned, and some are forced. We can't really put a number immediately.

Sameer Joshi

Basically, how much impact will it have on the revenue of Q3 or Q4 because of this?

GRK Prasad

I'd say, at this point in time, we can only say qualitatively what is the production available and what is not available, but not in numbers.

Sameer Joshi

Okay.

Moderator

The next question comes from Mandava Srinivasa Rao, an individual investor. Please go ahead.

Mandava Srinivasa Rao

What about the manganese mining prospects in Africa?

Ashwin Devineni

Yes, in West Africa in Ivory Coast, we have acquired an exploration license, so exploration for the manganese mine is currently ongoing.

Mandava Srinivasa Rao

Any foreseeing regarding the availability of the manganese there?

Ashwin Devineni

Ivory Coast is rich in manganese ore. We currently do procure quite a bit of manganese ore from the Ivory Coast, but in terms of our concession, it is too premature to say what the potential is because these exploration works take time, and they're currently ongoing.

Mandava Srinivasa Rao

Okay. Thank you.

Moderator

We have a follow-up question from Nikhil Adhyankar from DAM Capital. Please go ahead.

Nikhil Adhyankar

Just a follow-up question to the question earlier asked. Can you just give us a timeline as to the sale of the land, what will be the realization through it, and how should we expect that you'll use that cash?

Ashwin Devineni

So, in terms of timeline and realization, Nikhil, I wish I could answer it, but unfortunately, I can't because the size of the land is very large. It's 65 acres, and we're right now working extremely hard to complete certain processes so that we get the best valuation and close the sale in the shortest time period, but in terms of exact numbers, we cannot commit now.

Nikhil Adhyankar

Just a clarification, will we get 100% of realization from the land?

Ashwin Devineni

What do you mean by, will we get?

Nikhil Adhyankar

Like, is there any other partner? Is anyone else getting a stake in in that land?

Ashwin Devineni

No, this entire land belongs to NAVA.

Nikhil Adhyankar

Okay, Sir. How do we intend to utilize the cash, may be a dividend or a buyback?

Ashwin Devineni

I think there are various things we will consider. We will definitely, like what you mentioned, we will consider corporate actions that would enhance shareholder value. But also, I think we're in a stage where we are growing in different areas and current areas internationally, so we would need to also reserve some amount for growth capital.

Nikhil Adhyankar

Okay, Sir. Understood. Thanks a lot. That's all from my side. All the best.

Moderator

Thank you, Sir. Ladies and gentlemen, if you have any questions, please press * and 1 on your telephone keypad. I repeat, ladies and gentlemen, if you have any questions, please press * and 1 on your telephone keypad. That would be the last question for the day.

Now, I hand over the floor to management for closing comments.

Ashwin Devineni

Thank you very much, everyone, for your participation in the call. I hope we've addressed all the queries adequately, or if there are any questions or clarifications that remain unanswered, please get back to us, and we would be more than happy to provide answers on a wider investor platform. Thank you all once again.

Moderator

Thank you, Sir. Ladies and gentlemen, this concludes the 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 evening.

Note: This transcript has been edited for readability and does not purport to be a verbatim record of the proceedings.