

NAVA BHARAT VENTURES LIMITED

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

NAVA BHARAT

NBV/SECTL/ 404 /2019-20

August 19, 2019

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/372 /2019-20 dated August 6, 2019

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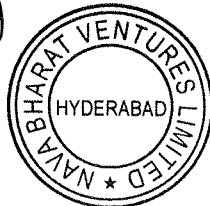
Please find enclosed the transcript of the Conference Call with Investors / Analysts held on August 9, 2019 on the operational and financial performance of the Company for the quarter ended June 30, 2019.

Kindly take the same on record and acknowledge the receipt.

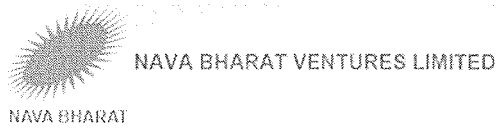
Thanking you

Yours faithfully
for NAVA BHARAT VENTURES LTD.,

VSN Raju
Company Secretary
& Vice President

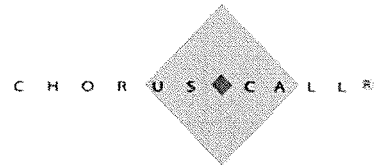
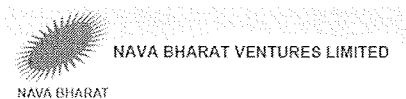


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“Nava Bharat Ventures Limited Q1 FY20 Earnings Conference Call”

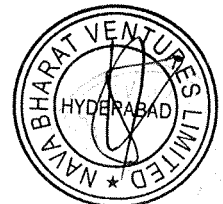
August 09, 2019



**MANAGEMENT: MR. ASHWIN DEVINENI, CEO, NAVA BHARAT
VENTURES LIMITED**

MR. GRK PRASAD – EXECUTIVE DIRECTOR

MODERATOR: MR. ABHINEET ANAND – SBICAP SECURITIES LIMITED





Moderator: Ladies and Gentlemen, Good day and welcome to the Nava Bharat Ventures Limited Q1 FY20 Earnings Conference Call hosted by SBICAP Securities Limited. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing '*' and then '0' on your touchtone phone. Please note this conference is being recorded. I now hand the conference over to Mr. Abhineet Anand from SBICAP Securities. Thank you and over to you, sir.

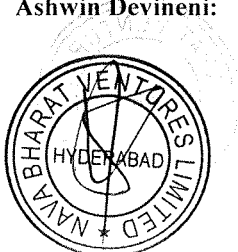
Abhineet Anand: Hi, Good Morning everyone. We welcome you to Q1 FY20 post results Conference Call of Nava Bharat Ventures. From the management, we have Mr. Ashwin Devineni -- CEO and Mr. GRK Prasad -- Executive Director along with other members of the top management. I will hand over to the management for opening remarks. Over to you, sir.

Ashwin Devineni: This is Ashwin a very good morning and a warm welcome to all the participants. The statement of the financial results both on the standalone and consolidated basis and a press release detailing the operations of the Nava Bharat Ventures Group for Q1 FY20 has already been filed with the stock exchanges and posted on our website. I hope you have had a look at them and trust that they provide adequate information on our performance for the quarter ending 30th June, 2019. Given the above, we would now like to proceed with the question and answer session and request you all to see clarification as you may desire. Thank you.

Moderator: Thank you very much sir. Ladies and gentlemen, we will now begin the question and answer session. We have a first question is from the line of Mohit Kumar from IDFC. Please go ahead.

Mohit Kumar: Sir I have three questions. Firstly, can you please update on the status of Maamba receivables and have you heard anything you know which has happened in the quarter as something and outlook going forward. My second question is, the interest rates swap, sir it creates a lot of volatility in a Maamba earnings, why is the interest rate swap not part of hedge accounting and is it possible to throw some light on the nature of swap and I believe the total amount which is under swap is USD 309 million, can you please confirm that. My third question is how is the offtake of NBEIL post the tie up with Telangana and what is the all-inclusive cost of coal?

Ashwin Devineni: I am just going to shed some light on the Maamba receivable situation because I am sure that a lot of you on the call have similar questions. Well just to kind of set the



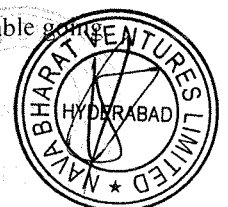


perspective you know for the year 2018-19 we have billed about \$258 million and we have received \$183 million which is approximately about 71%. If you go even further back say something synchronization say from July 2016 to March 2019 we have billed \$521 million and we have received \$366 million which is about 70%. The reason I am mentioning these numbers is because the situation of Maamba in terms of receivables is not bad. We have been getting payments on a monthly basis, which helps us basically pay our O&M operators and other contractors on time and run the power plant. We also do get lump sum payments from the government and ZESCO every 6 months to help us with the debt repayment. We have used these funds one to pay the contractors on time and two to also reduce our debt significantly by 25%.

So, I think that needs to be set in perspective when we talk about Maamba receivables. As of date the total overdue in terms of receivables is about USD 194 million and from what we hear the government and ZESCO are kind of working on paying those receivables in the near future they are working on different measures. But we do not have exact timelines in terms of when that will be completed, but as they continue working the situation at Maamba is fine in terms of receivables which we are getting to meet our operational needs and also to service our debt. The other thing to keep in mind with respect to Maamba is as a parent company Nava Bharat Ventures, we do not have any further financial commitment with respect to Maamba in terms of additional capital infusions or equity infusions or anything of that sort. All that we have had to spend has been spent. Also the debt is not guaranteed by Nava Bharat Ventures. It is based on project finance where the lenders have taken project risk. So, in terms of financial commitments to Maamba we are clear now. The only thing we wait for is essentially the upside. In addition to that, Nava Bharat today does receive benefits from doing the operation and maintenance of Maamba to the tune of about \$10 to \$11 million on an annual basis which we are receiving at the NBV level. This is only occurring because Maamba is paying the O&M contractor on time with the funds that they are receiving from ZESCO on a monthly basis.

GRK Prasad:

Mohit in respect of the other two questions the interest rates swap is being done because we are following a fair value accounting as opposed to hedge accounting, but based on hedging only for interest rate swap on tracks to the extent of about 70% of the loan outstanding. So, that is a non-cash charge, but as per the fair value accounting we need to take into account the mark-to-market fluctuation at every reporting period. Coming to NBEIL, the NBEIL has the new contract with Telangana distribution companies effective from 1st of August. First few days they have not taken because of lack of demand, but now power flow is happening to the extent of about 70% of the contracted capacity. We expect this contract to be sustainable going





forward because the demand in Telangana is going up. So, we do not foresee a problem in terms of operations of NBEIL which you would have noted turned out to be profitable in the first quarter. In terms of cost of coal it actually varies going by actual mix of coal in terms of e-auction, coal rejects and also sometimes slurry, but I think on an average you could say it could be about Rs. 3 to Rs. 3.20 per unit.

Mohit Kumar: Sir also one last question sir what is the interest cost for the quarter on Maamba excluding the swap and has it come down for this year vis-à-vis last year?

GRK Prasad: Obviously every half year would be repaying about \$30 million to that extent interest cost, interest cost will come down.

Mohit Kumar: If you could quantify the number this quarter versus last quarter same year?

GRK Prasad: I do not have the number, but I think you yourself can work out based on this.

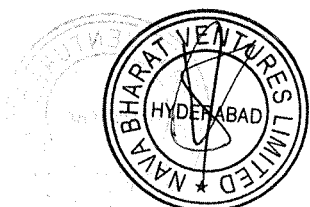
Moderator: Thank you. We have a next question from the line of B.V Bajaj from Bajaj Shares and Securities. Please go ahead.

B.V Bajaj: Sir, this Q1 FY20 is very much in consistent line with earlier Q1 FY19, revenue is around Rs. 800 million, but can you segregate in our three verticals like power, ferro and other verticals that is one question sir. Second thing is on MCL still receivable is around 34% up to June ending 2019. So does it carry any interest burden for the delayed payment that is my query. Lastly the buyback how it is affected by post budget taxation on buyback structure?

GRK Prasad: Actually, segmental revenue has been posted on the website Mr. Bajaj, but just to give you a quick run. You can just note down the Ferro alloys was about Rs. 230 crores, Power is about Rs. 604 crores, Sugar is about Rs. 32 crores and Coal Mining is Rs. 78 crores and unallocated meaning the other income and other things constituting about Rs. 49 crores. This is gross and we have intersegment revenue of Rs. 198 crores. The second question is on interest cost. ZESCO, is invoiced interest on delayed payment, the interest is based on the rate prefixed in the PPA currently it stands at about 8% on dollar terms.

B.V. Bajaj: Has the buyback affected by the budget?

Ashwin Devineni: Yeah buyback as you know the tax implication came about from 5th of July, 2019. So, whatever shares that were bought on and after that date are subjected to this buyback tax. Our current estimate is about 2.5 crores is the tax implication which is



included in that Rs.25 crores budget which we set up for this buyback. So, buyback now stands closed.

B.V. Bajaj: Sir, last question if you permit, because of this Chinese versus US trade war and slowdown in the steel segment in India how do you feel the next quarter will be with respect to the Manganese and Ferro alloy business?

Ashwin Devineni: Well it is very difficult to sustain this quarterly performance, basically if what you are talking about is right. There has been some influence of US-China trade war on the steel industry per se and domestic steel slowdown is quite evident. So, we do not expect the situation to continue for a long time, but probably for a quarter or couple of quarters some weakness is envisaged. But overall we expect a strong demand coming from the Indian steel sector giving us complete offtake possibility for our ferroalloys because we also have export which we use more for an off-setting basis.

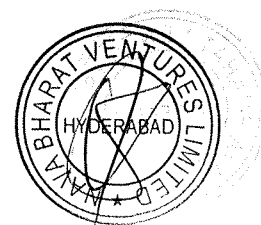
Moderator: Thank you sir. We have a next question from the line of Ajay Jain from Astute Investment Management. Please go ahead.

Ajay Jain: My first question is about receivables of Maamba Collieries. You had reported in the last Quarter 4, receivables of 165 million. I have derived it from the billing minus the realization and this quarter you have receivables of 211 million. So, there is an increase by 46 million of receivables whereas the billing of this quarter is 56 million. So, you have received only 10 million of billing for this quarter am I right in assuming that?

GRK Prasad: Well I think you need to look at the situation from a monthly receivable perspective. For example, the June receivable came in early part of July so that was not accounted which is about 10 million. So, on an average the company has been receiving about \$9 million against whatever it has been billing. So, the position as reported by CEO is the overdue position which is USD 194 million as against outstanding receivable of about 215 million as on 30th June 2019.

Ajay Jain: But I assume the similar situation would have been there in Quarter 4 also you would have?

GRK Prasad: In Q4, we received the payments a little ahead because we were required to meet the loan repayment at that time. So we saw to it that receivables were paid earlier than the due date.



Ajay Jain: The next question is about the buyback; I am not very clear as to how much finally the company will incur for reducing the stake by about 9% overall with all the trust and everything. You are incurring Rs. 25 crores towards the buyback from the public, but what about the balance buyback will there be any cost to it or it will be at face value?

GRK Prasad: It will be at face value, but for the Employees Welfare Trust there could be recognition of capital gains depending on where the market price stands on the effective date of reduction but for that there is no cash outflow other than Rs. 25 crores.

Ajay Jain: So, this effectively would result in a reduction of capital by about 9%?

GRK Prasad: Effectively, I think it stands at about 8.4%.

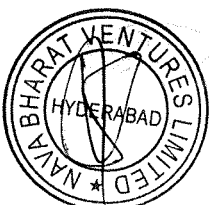
Moderator: We have the next question from the line of Anirban Dutta from Jet Age Securities. Please go ahead.

Anirban Dutta: I have three questions to ask. The first question is have there been any meaningful tariff hikes in Zambia both for the mining and residential & commercial customers? The second question is what do you think will be the potential impact of this transition that is happening is on Konkola Copper mine for the next 3 to 6 months and the third question is what is the CAPEX plan for us for this current fiscal year?

Ashwin Devineni: With respect to the tariff hikes there has been periodic tariff hikes with respect to the mining sector that has taken place in the past few years, however for residential and commercial there are talks currently undergoing about hike but that has not been implemented yet.

Anirban Dutta: And would you hazard a guess by when this could be done because this is the key factor which will impact the cash flows of the utility company there?

Ashwin Devineni: Yes, I hope you know definitely the utility company and the government also realize that because apart from the mining sector, 50% of the revenues come from commercial and residential. So, there are talks, but you know it cannot be just a knee-jerk hike. So there is a process to be followed and currently discussions are taking place in terms of what the hike needs to be and what can be the residential and commercial customers can sustain in terms of our hike so that is currently underway. And with your second question with regards to Konkola?



Anirban Dutta: The transition what is happening there?

Ashwin Devineni: Yes, there is no impact really that affects us in anyway. I think the whole Konkola and the government issues have been going on for years. So, but that does not impact MCL or our business in anyway.

Anirban Dutta: And the third one was what is the CAPEX plan for the current fiscal year?

Ashwin Devineni: Current CAPEX is mostly related to ongoing CAPEX in domestic operation, those relate to one significant CAPEX which we have undertaken is the limestone handling system for our power plants both in Telangana as well as Odisha other than that no major CAPEX is planned. In terms of investment and overseas subsidiaries also, no major outflow is envisaged other than for just keeping the normal administrative cost in place.

Moderator: Thank you. We have a next question from the line of Mohit Kumar from IDFC Securities. Please go ahead.

Mohit Kumar: Sir one information which you have been giving so far PAF number for Maamba it is missing sir, is it possible to share it right now?

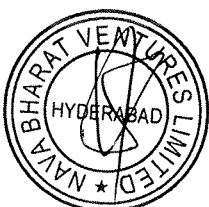
Ashwin Devineni: It is about 81% for the quarter.

Moderator: Thank you. We have next question from the line of Bhavesh Chauhan from IDBI Capital. Please go ahead.

Bhavesh Chauhan: Sir I wanted to know how the situation of domestic utilities in India and are we seeing green shoots or we are likely to operate it lower utilization in this fiscal year?

Ashwin Devineni: On the other hand, we may probably be doing better than last year because the Telangana distribution companies have provided a contract, but on surplus power both from our captive power plant of 114 megawatts as well as the subsidiary plant of 150 megawatts till March 2020. But for the intermittent I would say system backing down, we do not expect major issues in terms of power sales. We are in fact looking forward to a slightly better PLF than last year. If you could see the first quarter itself the 150 megawatts plant did a PLF of about 75% which was for in excess of last year's average.

Bhavesh Chauhan: Sir with regards to the monetization of our land in Secunderabad or selling of some power assets, have we made any progress?



Ashwin Devineni: The process is slightly long haul, but I would say we have taken steps and we cannot probably disclose anything now, but efforts are underway to have it closed as soon as possible.

Moderator: Thank you. We have the next question is from the line of Abhineet Anand from SBICAP Securities. Please go ahead.

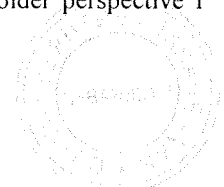
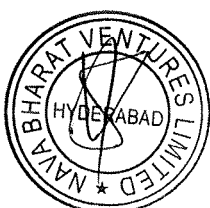
Abhineet Anand: On the domestic front I think on a YoY basis things seem to have improved if I can call that from the power demand supply and merchant because Telangana has given us a contract. From a slightly longer term perspective let us assume 2 years, 3 years' perspective do you think that demand of power or the growth in the power demand is going to be higher and hence contracts will come for renewal in future as well because I think earlier we used to have, then last year we did not have on a short term basis. So I just want to understand more from a holistic picture or more from power demand and merchant price perspectives especially in Telangana.

GRK Prasad: Basically, we probably are slightly heartened with the latest measures that are taken by the government in terms of putting distribution companies on a better footing financially. So, that actually gives us confidence that power purchase will be sustained and going forward that is the expectation also given that in Telangana a lot of latent demand is there which could propel this kind of demand push. So, our expectation is that Telangana Distribution Companies could come up with another tender probably in early next year for 2020-2021.

Abhineet Anand: Secondly, if you can also throw some light on how is the market for the ferroalloys business, how is it doing presently?

GRK Prasad: Our conversion arrangement is going on well with Tata Steel notwithstanding discernible weakness in the ferroalloy market because the conversion volumes have not really come down. In terms of manganese alloys also the production volume is being sustained, but we have to see how the major steel companies that we deal with go with the offtake going forward. As of now no issues. We have been supplying and in fact there is no inventory and orders in hand take us through almost September.

Abhineet Anand: And lastly this Maamba receivable actually the issues around that has been therefore since I think it started operations. One is obviously the government and some amount of bond-related thing that was there. Is there any thought process how do we actually come out of this? I know it is a difficult one, but what are the other things that management is thinking if this continues for another one, two years, the debt repayment is fine and our O&M is fine but from equity shareholder perspective I



think some value of equity also needed right, so what is the thought process from the Nava Bharat management and promoters' perspective.

GRK Prasad: See Abhineet you put it right the receivables is an issue, but what is more important for us is to have a higher month-on-month receivable payments from the utility, currently it is about 40% to 45% of the monthly billing. Our immediate target is to see that quantum goes up to at least 70% which actually addresses two issues. One, that we do not look for debt service every 6 months for any external arrangement. Two, that actually gives us a better leeway to deal with lenders also to see that some of the equities returns can be commenced. So, given that the profitability is at a very high-level, once this cash flow issue is sorted out we could probably be looking forward to some equity returns. But from a very pure metrics wise the current outstanding does not hurt us excepting for the equity returns. As far as the MCL operation is concerned, they are in no way affected with this current receivable. As sponsors our concern is equity return, we are stressing a bit on seeing that the outstanding is reduced, and the monthly payment plan is obtained and sustained.

Moderator: Thank you very much sir. We have a next question from the line of Mohit Kumar from IDFC Securities. Please go ahead.

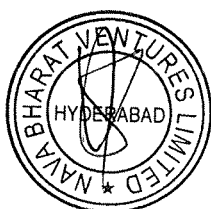
Mohit Kumar: Sir, the ferrochrome conversion I think it is expiring in March 2020, have we heard from Tata Steel? Are we working on extending this commercial arrangement?

GRK Prasad: Their current lease expires on 31st March, 2020, but we have to see whether their area would be coming up for auction. I am sure Tata would be very keen to participate and probably are in a much better footing in terms of obtaining or continuing the lease from the government as well. So, I think it will be known Mohit in the next two to three months.

Moderator: Thank you. We have a next question from the line of Anirban Dutta from Jet Age Securities. Please go ahead.

Anirban Dutta: I just wanted one clarification in the mining segment the profits this quarter are very high of the order of around Rs. 20.5 crores, so is this sustainable? What has driven this kind of profit in the mining segment and is it sustainable?

Ashwin Devineni: See mining operations keep fluctuating on a quarter-on-quarter basis based on the actual output of high grade coal in the new block that has been opened. In the last quarter we have had a better sale quantum as well as slightly improved sale price as well that accounted for it, but we cannot say that can be extrapolated for the next





three quarters, but a reasonable growth is expected in terms of coal mining operations over the last year's number.

Anirban Dutta: In this scope sir if we were to take more than a year's view, can this number go up over the next two to three years from where we are currently?

Ashwin Devineni: I think you can reasonably take over a 5 years' timeframe.

Anirban Dutta: This will steadily go up, the merchant sale of the coal and profit thereon will steadily go up over a 5 years' period.

Ashwin Devineni: I am not saying Anirban that it would go up in year-on-year basis, but I think the ramp up will happen over the next one year to probably 1.5 year then it would sustain at that level for the balance three to four years.

Moderator: Thank you very much sir. As there are no further questions from the participants, I would now like to hand the conference over to Mr. Abhineet Anand from SBICAP Securities for closing comments. Sir over to you.

Abhineet Anand: I would like to thank the management and all the participants for attending this call. Thanks everyone.

Moderator: Thank you very much sir. Ladies and gentlemen on behalf of SBICAP Securities that concludes this conference. Thank you for joining with us and you may now disconnect your lines.

