



NAVA /SECTL /390 /2023-24
November 16, 2023

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 Sirs,

Sub : Transcript of Conference Call.

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

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Please find enclosed the transcript of the Conference Call with Investors/Analysts held on November 10, 2023, on the operational and financial performance of the Company for the quarter and half-year ended September 30, 2023.

This is also available on the Company's website at www.navalimited.com/financials/.

Kindly take the same on record and acknowledge the receipt.

Thanking you,

Yours faithfully,
for NAVA LIMITED

VSN Raju
Company Secretary
& Vice President

Encl: as above.



Nava Limited
Q2 FY24 Results Conference Call

Event Date / Time: 10/11/2023, 11:00 Hrs.

CORPORATE PARTICIPANTS:

Mr. Ashwin Devineni, Chief Executive Officer
Mr. GRK Prasad, Executive Director
Mr. Nikhil Devineni, Senior Vice President
Mr. Sultan A Baig, Chief Financial Officer
Mr. VSN Raju, Company Secretary and Vice President

MODERATOR

Mr. Mohit Kumar- ICICI Securities Limited

Moderator:

Good morning, ladies and gentlemen. I'm Pelsia, moderator for the conference call. Welcome to Nava Limited Q2 FY24 Results Conference Call hosted.

As a reminder, all participants 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 recorded. I would now like to hand over the floor to Mr. Mohit Kumar from ICICI Securities. Thank you and over to you, sir.

Mohit Kumar:

Thank you, Pelsia. On behalf of ICICI Securities, I welcome you all to the Q2 FY24 earnings call of Nava Limited.

We have with us, Mr. Ashwin Devineni, Chief Executive Officer; Mr. GRK Prasad, Executive Director. Nikhil Devineni, Senior Vice President; Mr. Sultan A Baig, Chief Financial Officer; and Mr. VSN Raju, Company Secretary and Vice President.

With this, I'll hand over the call to the management for a brief opening remark, which will be followed by Q&A. Thank you and over to you, sir.

Ashwin Devineni:

Thank you, Mohit. A very good morning, ladies and gentlemen. I would like to extend a warm welcome to all of you for joining the investor call today. I'm truly delighted to share with you some remarkable highlights from our recent performance. Nava Limited has demonstrated extraordinary financial growth and resilience in the first half of 2023. One of the most significant achievements has been the reduction of our consolidated long-term debt, by an astounding 70% YoY. This has strengthened our financial position and reflects our commitment to sound financial management.

In a testament to Nava's strategic vision and resilience, our operational revenue and profit after tax saw impressive growth, with a 24% and an 8% increase respectively in the corresponding quarter. This remarkable performance can be attributed to the improved operations of Nava Bharat Energy India Limited (NBEIL) and Maamba Collieries Limited (MCL), which played a pivotal role in sustaining our growth.

Despite challenges in the metal division, Nava Limited sustained its financial performance with a total revenue of INR 961.8 crores, and a profit after tax of INR 193.2 crores on a consolidated basis. We are making good progress in the maintenance activities at the ferro alloys plant in Odisha with the expectations of it becoming operational by December 2023. Our commitment to sustainable growth and innovation is evident from the remarkable 21% YoY revenue growth in the Energy segment driven by operational excellence in the 150 MW power plants in Odisha and Telangana.

Moreover, we have achieved a significant milestone by becoming entirely long-term debt free in our Indian operations and we are well on our way to achieve the same for MCL in the coming months. The successful clearance of long-term debt not only signifies our financial prudence, but also positions us for even greater success and value creation for our stakeholders. We remain unwavering in our commitment to growth, innovation, and financial prudence. I look forward to discuss our financial results in more detail in addressing any questions or comments you may have. Thank you very much.

Q&A

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 a 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 question, please press * and 1 on your telephone keypad. The first question comes from Mr. A M Lodha from Sanmati Consultants. Please go ahead.

A M Lodha:

Good morning. As far as financials are concerned, the Company has repaid the long-term loan and even prepaid the loans after paying the required amount of the charges to the banker. So, my question is that, the MCL's loan was INR 2,700 crore and you have repaid INR 1,641 crore till September. So, INR 1,059 crore is still payable to the MCL lenders for the project loan. Can we expect this loan to be cleared by March 2024, sir?

Ashwin Devineni:

Mr. Lodha, I think, we are endeavoring to clear our long-term debt on a consolidated basis as soon as possible. And our efforts will be on to clear everything before the end of this financial year.

A M Lodha: Sir, continuing this question , we incorporated a Singapore Company and bought the stake in the MCL in 2016. And as we invested in the Singapore company it has further invested in MCL in the form of equity as well as the loan, on which Singapore company (i.e. Holding company of MCL) is making the provision of INR 43 crore towards interest every year. Can you tell us how much quantum is payable both the loan and interest to the Singapore company?

Sultan A Baig: Loan amount payable from MCL to Singapore subsidiary is US \$89 million, Mr. Lodha as and when the distribution starts from MCL, the Company will take a call to discharge the interest and the loan.

A M Lodha: So, US \$89 million includes the interest thereon or it is only a loan amount?

Sultan A Baig: It is a loan amount, Interest is \$37 million.

A M Lodha: Interest is accumulated for the last 6-7 years?

Sultan A Baig: Yes.

A M Lodha: Total is US \$126 million approximately.

A M Lodha: After the repayment of this long-term loan taken by MCL to the lenders under project, can we expect that this US \$126 million will be first refunded to Singapore subsidiary?

Sultan A Baig: Yes, Mr. Lodha. Once the long-term debt is cleared by MCL. MCL's Board will decide upon the distribution to the shareholders.

A M Lodha: Distribution to the shareholders is a different thing, sir. This US\$126 million is a loan amount given to MCL and it is a repayment of a loan

Ashwin Devineni: Mr. Lodha, the shareholder loan actually constitutes project equity. Once the external loans are distributed, then MCL's Board is free to determine in terms of repayment of the loan, i.e. interest first, and then repayment of loan, subject to the cash that is being available.

A M Lodha: Okay, sir. Thank you very much for the clarification, there's another important point, that there is a considerable lower profit in power business on consolidated basis. Sir, I understand that the sales is lower by INR 125 crore, and the profit is down by 50% from the last June quarter. INR 223

Crore against the INR 405 Crore. We also understand that, last year you had a write-off of INR 98 crore and return back. This year it is lesser amount of INR 44 crore. This means INR 55 crore, is a less write-off. Therefore, the profit may be lower, but even then the profits are lower in the power business. Can you explain to me?

Sultan A Baig:

Sir, in the Indian power business, the net realization was lower as compared to the previous quarter. That's one of the reasons. And in Maamba Collieries, MCL has paid excess monthly fee of about US\$4 million to the O&M operator, that's why the profit is also lower.

A M Lodha:

But US\$4 million is paid on account of what, sir?

Ashwin Devineni:

The US\$4 million is an O&M half-yearly operational bonus paid to the O&M operator, which is also a subsidiary of Nava and it is provided when certain operational parameters are met.

Moderator:

Thank you. Next question comes from Mr. Nikhil Abhyankar from ICICI Securities. Please go ahead.

Nikhil Abhyankar:

Thank you for the opportunity and congrats on being debt free on standalone level, Sir. We have, dues remaining worth INR 24 billion. So, what is the timeline for realization of all these dues? And have the payments been in time till date?

Sultan A. Baig:

Mr. Abhyankar, if I would talk in US dollars, it is much simpler for everyone to understand. We are yet to realize about US\$280 million plus, out of which in the next calendar year, as per the press release we have given earlier, we will realize US\$180 million, balance \$100 million-plus we'll realize in this calendar year.

Nikhil Abhyankar:

Okay. And sir, can you also comment on the operational performance of our ferro alloy segment as to the production, sales and the average realizations in the quarter?

Nikhil Devineni:

Nikhil, with regards to the production volumes, we have currently two units in India operating for ferro alloys where we produce silico manganese. The Telangana unit for the quarter produced about 23,000 tons. And the plant in Odisha contributed about 3,000 tons. The production volumes in the Odisha unit were lower this quarter, mainly on account of the accident that occurred in the first week of August, wherein there was a collapse of the bunker which led to the conveyer system being also

damaged. So that is currently being fixed. So, we envisaged that from January onward that plant would be in operations fully.

Nikhil Abhyankar: Okay. So, the losses that we have reported is majorly because of lower production and not because of realization?

Nikhil Devineni: No, it's actually because of realization. Today, the ferro alloys market, world over is going through a very sluggish phase. And one of the main reasons for this is that the Ukraine war has led to very high energy costs in Europe. And Europe being one of the main destinations for Indian exports, that market is sort of is no longer available. And as a result of that, most of that material, which was earmarked for Europe is right now being dumped in the Indian market, leading to further pressures on the pricing.

Nikhil Abhyankar: Okay. And sir, among the Indian power plants, how much do we have as merchant capacity as on date?

Sultan A Baig: So, merchant capacity, we have independent power plant of 60 MW and 150 MW in NBEIL, 210 MW totally. And we are on short term PPAs, we don't have a long term PPAs for this.

Nikhil Abhyankar: So, on bilateral basis?

Sultan A Baig: Yes.

Nikhil Abhyankar: Okay. So, can you just give us the revenue PAT for the 150 MW power plant? And what is our outlook for H2 as well?

Sultan A Baig: In the current quarter, revenue was INR 150 crores, Mr. Abhyankar. And we have made an operating profit of about INR 16 crores.

Nikhil Abhyankar: And how much was it for Q1?

Sultan A Baig: Q1 was INR 37 crores. Overall, for the half-year, it was about INR 53 crores.

Nikhil Abhyankar: Okay. So, should we expect a similar performance in next year as well, given the rise in power demand?

Sultan A Baig: It's difficult to comment on this, Mr. Abhyankar. It depends upon the power scenario and monsoon and various other factors.

Nikhil Abhyankar: Okay, sir. That's all from my side. Thank you.

Sultan A Baig: Thank you.

Moderator: Thank you. Next question comes from Mr. Vignesh Iyer from Sequent Investments. Please go ahead.

Vignesh Iyer: Sir, thank you for the opportunity, and congratulations on good set of numbers. Sir, my first question would be, I would like to know, our MCL, PLF is now somewhere around 83%, whereas we have been doing 90% plus constant for last two quarters. Can we say that, we're getting back at 90% plus for the next two quarters? I mean, is there any impact usually that happens in Q2?

Ashwin Devineni: Yes. So, the reason we had 83% was because we had two scheduled maintenances for both the units. So, this is the half-yearly scheduled maintenance that we conduct and carry. That's why it was 83%. So, I think now moving on, it will be back to the above 90% hopefully. And it's only in the months where we're taking the units down for scheduled maintenance, where you see a lower PLF.

Vignesh Iyer: And, sir, my next question would be, so what are our plans moving forward when it comes to power plant in Zambia. Are we eyeing for some expansion going ahead? We have got a decent set of cash flows that are coming and we are set to pay off our debt as well, probably in next three or four quarters. So, if you could just tell us what is the plan going on for MCL?

Ashwin Devineni: Yeah. We are fairly bullish on the power scenario in Africa, and especially since we've laid all the groundwork there, it makes sense for us to expand. We are currently in discussions with the Government in terms of financing the expansion. So, those meetings are currently ongoing. So, when something materializes, I think we will go forward with the Phase 2 expansion of another 300 MWs possibly.

Vignesh Iyer: Sir, but just to get an understanding on how the cash flow would be utilized going ahead. First would be any cash flow that generated gets used towards repayment of debt followed by any subsequently paying off to the Singapore holding company, right? And any cash left after that would be utilized for CapEx? Because the Singapore subsidiary payment has been pending for some time now.

Ashwin Devineni :

So firstly, cash flows, whatever we get in the form of monthly revenue and payments from ZESCO with respect to the arbitration award, we first want to clear our long-term debt, so that to enable distribution. Because with the current lender group and distribution is posing to be very tough given the conditions that they have placed. So once that is done, then whatever cash flows come in, MCL board will basically decide with regards to distribution. The amount, what my colleague mentioned previously that was, put in, as a shareholder loan from Nava Bharat Singapore was actually in the form of equity.

The same was done by our 35% partner ZCCMIH too. Their contribution has also been recorded as a shareholder loan. So, as and when the loans are cleared and we have surplus cash, the MCL board will take calls in terms of distribution, which will allow funds to flow back to the parent company, which is Nava Bharat Singapore and Nava. And then, as and when the equity requirement for Phase 2 arises, we will use those funds plus internal resources to fund our equity.

Vignesh Iyer:

Right, sir. Just one last question, if I could speak in. Would it be better, I mean, if this setup of through Singapore is simplified in some manner where the holding company is Nava Limited which is listed in India. I mean, we can have our stake in MCL directly. That way, it is easier to understand the setup. I mean, it's kind of a bit complex setup, right? And if you could just help us understand on this part.

GRK Prasad:

Nava Bharat Singapore was setup with a view that we would have an energy vertical intermediate holding company, which would hold initially MCL energy assets. But our idea originally was to see that, that space actually got expanded. Of course, it hasn't happened. The reason why this structure was created especially for that. Because holding from Singapore would make imminent sense. But even now also, it's not that structure is preventing us from flowing. Because the monies could flow from Zambia to Singapore and Singapore to India. In a similar fashion, there will be some tax implications, though. But, in Singapore there is no tax implication. That way the money doesn't lose any value.

Vignesh Iyer:

Okay, sir. That's all from my side. I'll get back in queue. Thank you.

Moderator:

Thank you. Next question comes from Mr. Govindlal Gilada, an Individual Investor. Please go ahead.

Govindlal Gilada: So, I have got two questions, sir. One, any update on our land at Nacharam. What is happening there?

Ashwin Devineni: Yes. So, the land is still there, Mr. Govind. I don't think we're taking any actions right now. What we see is upward trend with regards to valuation. I think prices, land prices, in that region given the development are just increasing. So, as a Company, we've taken a decision not to take any action currently. Let's sit on the land, let the values go up and then at a later point in time we can evaluate what actions to take.

Govindlal Gilada: Sir, there are two things. Just on investment perspective, okay, land prices may go up, that's why we are holding or some technical problems are also there. Just one line answer, if today we want to sell, can we sell or any hiccups are there from government?

Ashwin Devineni: No, there are no hiccups or anything. It's basically we're looking at the upward trend in terms of valuation, it's more of a commercial decision. we'd rather sell the land when the valuations are a lot higher. And especially when it's in an upward trend, it makes no sense to do it right now.

Govindlal Gilada: Okay. So, how much land we have there?

Ashwin Devineni: 65 acres.

Govindlal Gilada: Tentative what is the price going right now?

Ashwin Devineni: Sorry, I can't mention anything on prices.

Govindlal Gilada: Okay. I understand, sir. Then my last question is about, this US\$280 million, what we have to receive US\$100 million and next year US\$180 million of dues. We are confident, no, sir? there is no, any issues in that for what time period you have given. We are confident to receive all these things, sir?

Ashwin Devineni: I think from our end, we are confident that's why we 'have started even repaying a lot of the long-term debt with the cash we've received. And to be honest, ZESCO has been paying our ongoing bills regularly on time. And they are meeting their commitments with regards to the arrears too. I mean, as on date, we've received \$291 million, which is a very large amount. So, there's nothing to kind of hint at this stage that for us not to feel confident about getting the remainder.

Govindlal Gilada: So, this US\$100 million, what we have to receive. Any status, sir, when we can expect to receive in next one or two month?

Ashwin Devineni: From what we hear, ZESCO is working on it. And as far as whatever communications we've received from them, they seem fairly confident about paying that now.

Moderator: Thank you. Ladies and gentlemen, if we have any question, please press * and 1 on your telephone keypad. I repeat, ladies and gentlemen, if you have any question, please press * and 1 on your telephone keypad. Next question comes from Mr. Vijay P, an Individual Investor. Please go ahead.

Vijay P: I have a question about the ongoing projects of Nava Limited. In Zambia, we have the avocado project. In Ivory Coast, we have the manganese mine. And in Singapore and Malaysia, we have the health care project. Surprisingly, this time, the press releases didn't mention anything about these projects. So, can you please let us know what the current status on these three projects is?

Sultan A Baig: Yes. Maybe we can start with Avocado Project, Mr. Vijay. Project is progressing well. Our Investment is on course for the development of the entire plantation. This year we'll be finishing plantation for about 275 hectares of land. The reason for not mentioning is, this is an ongoing and there's no major ups and downs in the project.

Vijay P: When is the product going to be in the market?

Sultan A Baig: Sir, Avocado generally takes 3 to 4 years for the fruiting. We anticipate the crop from the first division to hit the market in 2026.

Vijay P: Okay. The Manganese mine?

Nikhil Devineni: So, Mr. Vijay, I think the exploration works are still underway. So far the results have been encouraging. However, I think by the end of Q4 is when we will know precisely in terms of what the quantity and quality of the mine is.

Vijay P: Okay. And the health care project in Singapore and Malaysia. Is it making any money?

Sultan A Baig: Yes, Mr. Vijay. Health care project is a cash neutral as on today. We are not infusing any funds. It's sustaining on its own. And we are also evaluating adding additional products for distribution. I think in few months down the line, we'll have a basket of products to start distribution in Singapore and Malaysia.

Vijay P: Yes. And, just for the record, someone asked about the Nacharam land. We have also two land parcels of one, 200 acres, and other of 20 acres, in, Dharmavaram and Kakinada. So, any progress on liquidity in those or encashing those?

Ashwin Devineni: No. But I think, with regards to those lands, right now, we don't have plans to liquidate them or so, because their valuations are not great currently. So, we don't see a point of liquidating them at this point of time.

Vijay P: Okay. Thank you. That will be all from my side.

Moderator: Thank you. Next question comes from Mr. Srinivas AP, an Individual Investor. Please go ahead.

Srinivas AP: Good morning, everyone. It looks like a fantastic quarter, because of repayment of loans and all the things. I have only one question. While the loan amount has come down, the finance cost for quarter ended September 30, on a sequential basis has increased from INR 80 crores to INR 95 crores. Is there any specific reason for the increase in the finance cost when the loan has come down substantially?

Sultan A Baig: Yes, sir. There are two factors. First is, the loan was repaid on 30th September. So, you have the interest cost on the total loan that was outstanding in the quarter. Second factor was, if you compare with the corresponding quarter in the previous financial year, the dollar was at INR 78.55, whereas in the current quarter dollar is at almost INR 83, which is INR 82.5. So, you'll have a 5% difference over there.

For June quarter also there was a slight increase. And also, there was unwinding of the hedging cost, which hit our P&L of about USD 1.4 mn, whereas it was negative in the previous quarter because of the MTM and all, so that's the difference.

Srinivas AP: And the number would be somewhere around INR 80 crores now as an interest cost or it will be INR 95 crore also in the next quarter. Because this is what I was expecting that, the interest cost will be substantially lower because of which your profit will be higher. But, yes, I saw a surprise on the interest cost.

Sultan A Baig: Yes. It will get reflected in the next quarters onwards, the lower interest cost.

Srinivas AP: Okay. Thank you.

Moderator: Thank you. Ladies and gentlemen, if you have any question, please press * and 1 on your telephone keypad. I repeat, ladies and gentlemen, if you have any question, please press * and 1 on your telephone keypad. We have a follow-up question from Mr. Vignesh Iyer and Sequent Investments. Please go ahead.

Vignesh Iyer: Hello sir, regarding the balance sheet, I was going through your balance sheet, and we have got trade receivables under non-current asset. We just see a significant movement from INR 1,160 crore to INR 530 crore. I mean, as of now, we have given the discount that is needed to be given to MCL. So, what is stopping us from reclassifying it from a non-current to current? Because it's very unlikely that trade receivables are classified under non-current, right? I mean, we have done the settlement and arbitration is done. So, what stops us from classifying it as a current asset? Do we still have any doubt on if the money can be recovered or not?

Sultan A Baig: Thank you for your question, sir. There is no question on the recoverability of the amount. If you see the repayment schedule proposed by ZESCO, they proposed a repayment of US\$180 million in the next calendar year. That is the reason that amount has been classified under non-current, because when we have a communication from ZESCO that amount will come in the next year, auditors would not allow us to be classified as a current. Whatever is due in next six months has been classified into current.

Vignesh Iyer: Okay. And sir, going ahead now, we have been consistently making a good progress. What would be the blended level at consolidated numbers for our taxation percentage?

GRK Prasad: It's actually a function of the local jurisdiction. In Maamba, for example, the power would not be subjected to tax. The mining division is subjected to tax. In India, the tax regime is a lower tax regime, which we opted for. So, accepting for some deferred tax provision and all, I guess, the standalone tax rate could be in the region of about 27% to 28%. And as far as Maamba is concerned, I guess, that's including deferred tax, it will be about 15%.

Vignesh Iyer: Okay. So, I mean, then you would have visibility. Right? if Maamba power is not subject to tax there, and you're paying 15%. So, on a blended basis, it should be, around 18% to 20%.

GRK Prasad: No, the applicable rate is 30%- 35% in fact. But we are on tax holiday basis for power. So, that tax holiday will last for another five years.

Vignesh Iyer: Okay, sir. That's all from my side, and all the best, sir, and Happy Diwali.

Moderator: Thank you. We have a follow-up question from Mr. Vijay P, an Individual Investor. Please go ahead.

Vijay P: Yes. I was just wondering we have got a very steep fall in the value of Zambian currency kwacha in the last two months. It's fallen to almost 20%. How does it affect our receivables and the repayment schedule for the loans?

Ashwin Devineni: Yes. So, it doesn't really affect us because all our transactions both on the power side and in fact, also on the coal side are USD denominated. So, the kwacha depreciation per se has not really affected our receivables, both on the coal side and also on the power side.

Vijay P: But does it affect in any way the repayment capacity of ZESCO? Because they are receiving their payments for power sold in kwacha and they're paying you in US dollars.

Ashwin Devineni: Yes. So, with regards to ZESCO, they don't receive all their payments in kwacha. Their kwacha payments are mainly from the residential and the smaller commercial. But what we count our payments on is basically the large industries they supply power to, and the PPAs and the power supply agreements that they have with the larger players, which are the copper mines, the manganese, smelting units and so on, are USD based.

Vijay P: So, as far as ZESCO is concerned, their payments to us are absolutely up to date?

Ashwin Devineni: Yes. Completely. I mean, apart from the arrears that they owe us. On a monthly basis, they pay us on time and in full.

Vijay P: Yes, thank you very much. And my compliments to the management team and Happy Diwali to all of you.

Moderator: Thank you, sir. That will be the last question for the day. Now, I hand over the floor to the management team for the closing comments. Over to you, sir.

Ashwin Devineni: Thank you very much, ladies and gentlemen. As we conclude our investor call today, I would want to express my gratitude for your participation and your continued confidence in Nava Limited. Our journey and achievements position us for greater success and the value creation for all our stakeholders. And it underscores our commitment to setting the stage for sustained success in the years ahead.

I encourage you to reach out to our team with any further questions or inquiries you may have. Your feedback and engagement are crucial to our continued progress and we are here to provide the information and support your needs. Once again, thank you very much for your time and your trust in us and a very, very happy Diwali. Thank you.

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

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