

## **NOTE ON PERFORMANCE FOR QUARTER ENDED 31<sup>ST</sup> DECEMBER 2008**

After several quarters of unprecedented sales growth and profit growth, the company witnessed a slump in profits during this particular quarter. The performance has been muted primarily on account of very poor market conditions for Manganese Alloys across the globe.

The financials got hit further on account of very poor rainfall during the North East monsoon at our Hydro Power Plant.

A snap shot of performance is given below.

<b>Particulars</b>	Rs. lakhs	
	<b>Q2 2008-09</b>	<b>Q2 2007-08</b>
Sales	1,603	2,925
PBDIT	190	662
PBT	56	501
Power Generation (Net)	1,33,55,992 units	2,04,38,493 units

### **SMELTER DIVISION:**

Prices of Manganese Alloys across the globe dropped by more than 40% in a matter of weeks and players across the globe got stuck with large inventories of finished products along with very high cost inventories of raw material. Even though our company has been anticipating a correction to the Bull Run for quite some time now, the quickness of the correction took us by surprise. There was very little time to react in terms of getting rid of the high cost inventories. Normally such corrections take place over a period of 6-8 weeks. On this occasion, the correction took place in less than a fortnight and that left us very little time to shed finished products inventory or to consume high cost Manganese Ore.

Such a drastic fall in Manganese markets saw a total collapse in trade for over 2 months. This forced us to shut our Smelter Division by more than 50% throughout the period. We used this as an opportunity to reline one of our furnaces which is a major activity. Apart from that, we did a minor lining work in our other furnace as well.

Whatever little orders were there during the quarter were serviced from our inventory of finished goods.

## **POWER DIVISION:**

This quarter witnessed power generation of 13355992 units compared to 20438493 units during the same period, previous year. The fall has been more than 35% and is attributed to a extremely weak North East monsoon season. It has been very puzzling to note that the poor North East monsoon season has followed a very poor South West monsoon season, thereby, rendering 2008-09 our Hydro Electro Power Plant a very poor and forgettable one. Such anomalous weather conditions occur every 4/5 years and probably this was such an year.

## **OUTLOOK:**

It is widely expected that Manganese markets across the Globe would remain muted for atleast another 3 months. Manganese Ore prices have dropped and are now at reasonable levels. The company is exploring opportunities in terms of buying very low cost Manganese Ore, averaging out with the present high cost inventory and make an attempt to achieve a reasonable contribution in some value added products. For the next two quarters the company is focusing on highly value added grades of material to ensure reasonable profitability over the next 6 months for the Smelter Division.

For the Hydro Power Division, Jan to March is a lean season and therefore, we have commenced Tunnel lining works. Very little power generation is expected during this coming quarter and therefore, the outlook in terms of financial performance for the coming quarter is modest. However, we expect that this would be made up by performance during the final quarter of the year, both in terms of monsoon set in and in terms of revival of manganese markets by April'09.