

एनएमडीसी



NMDC

# एन एम डी सी लिमिटेड NMDC Limited

(भारत सरकार का उद्यम) (A GOVT. OF INDIA ENTERPRISE)

पंजीकृत कार्यालय : 'खनिज भवन', 10-3-311/ए, कैसल हिल्स, मासाब टैंक, हैदराबाद - 500 028.  
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30<sup>th</sup> June 2021

1. The BSE Limited Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai- 400001	2. National Stock Exchange of India Ltd., Exchange Plaza, C-1, Block G, Bandra Kurla Complex, Bandra (E), Mumbai – 400 051
3. The Calcutta Stock Exchange Limited, 7, Lyons Range, Kolkata – 700001	

Dear Sir / Madam,

**Sub: NMDC's post FY 2020-21 Results Conference Call Transcript**

**Ref: Regulation 30 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015; NSE Symbol: NMDC; BSE Scrip Code: 526371**

Reference the captioned subject, please find enclosed NMDC's post FY 2020-21 Results Analyst / Investors Conference Call Transcript held on 23<sup>rd</sup> June 2021 at 4.30 p.m. (IST), which is also being uploaded on the website of the Company.

Please take note of the above information.

Thanking you  
Yours faithfully,  
For **NMDC Limited**

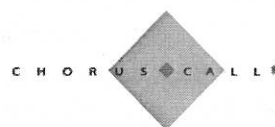
**A S Pardha Saradhi**  
Company Secretary

Encl: A/a



“NMDC Limited  
Q4 FY2021 Earnings Conference Call”

**June 23, 2021**



**ANALYST: MR. VISHAL CHANDAK – DAM CAPITAL LIMITED**

**MANAGEMENT: SHRI SUMIT DEB – CHAIRMAN AND MANAGING  
DIRECTOR – NMDC LIMITED  
SHRI AMITAVA MUKHERJEE - DIRECTOR OF FINANCE –  
NMDC LIMITED**



*NMDC Limited*  
*June 23, 2021*

**Moderator:** Ladies and gentlemen, good day, and welcome to the Q4 FY2021 Earnings Conference Call for NMDC hosted by DAM Capital Advisors 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 “\*”; then “0” on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Vishal Chandak from DAM Capital. Thank you, and over to you, Sir!

**Vishal Chandak:** Thank you very much, Aisha. Good evening, ladies and gentlemen, and thank you very much for joining in for the Q4 FY2021 Earnings Call for NMDC Limited. We have with us the Chairman cum Managing Director, Shri Sumit Deb; and the Director of Finance, Shri Amitava Mukherjee. Thank you very much for giving us the privilege to host the call, and congratulations on fantastic set of numbers. So without much ado, I would hand over the floor to Sumit Sir, for his opening remarks, and then we will open up for the Q&A. Over to you, Sir!

**Sumit Deb:** Thank you Vishal. I am glad to be here for the concall. NMDC Q4 performance has been a great performance in terms of if you see the numbers, production figures were 12 million tonnes and look at the numbers in terms of the profits and EBITDA margins all happened at an all time higher so we have done exceptionally well in the Q4 with a little bit of favorable market situation condition; however, this is an all time high record Q4. We also ended the year also with a turnover of 15720 Crores that is inclusive of other incomes. So the performance has been very good. Also the production figures also have gone up by 8%, sales went up by 6%. So all put together it has been a good year for NMDC. Thank you.

**Moderator:** Thank you very much. We will now begin the question and answer session. The first question is from the line of Abhishek Modi from Emkay Global. Please go ahead.

**Abhishek Modi:** My question pertaining to the royalty and the other levies. It is a nonfactor because of the change of the MMDR Act there was a huge jump, but can the management give sort of clarification on it? Because they have spoken that it was post the March 28, 2021 if I am right the amendments have finalized or approved by the President, but from how many periods in the short backdated because Donimalai mines are opened in February so previous two years or one year, so how many years and same way for the other two mines also except if I am right the Kumaraswamy mines any sort of breakup or clarification as to the huge royalty jump?



*NMDC Limited*  
*June 23, 2021*

- Sumit Deb:** This additional royalty is affected from the date of the amendment coming into place. In case of Donimalai we started our production in March so on 0.5 million tonne we had to pay this additional amount of 22.5% premium and for our mines which got renewed in the Chhattisgarh sector we are already paying so from the date of amendment.
- Abhishek Modi:** So in the sense that from you are paying backdated period?
- Sumit Deb:** No. There is no backdated it is always a prospective effect.
- Abhishek Modi:** So prospective effect means because that if I take into account for this royalty was paid for how many days for the Q4 quarter and my second question attached question to it will, so in the Q1 of FY2022 how much you have to be a royalty for the three months, if I am right, if we have paid for Q4 for half a month or one month correct?
- Sumit Deb:** For Q4 like I said we have paid we produced in Donimalai 0.5 million tonne so we paid for that.
- Amitava Mukherjee:** This, 48 Crores in Karnataka and 101 Crores in Chhattisgarh for three days.
- Abhishek Modi:** So if my assumption is correct in terms of that for the Q1 FY2022, the royalty amount will be almost three times something which we have already booked for Q4 quarter because you have paid this for three days or whatever 15 days, 10 days.
- Sumit Deb:** Anyway the numbers are not, I mean we have to pay for I mean since this act is come in so you need to pay for that so we are paying for that.
- Abhishek Modi:** Thanks for taking my question.
- Moderator:** Thank you. The next question is from the line of Rahul Jain from Systematix. Please go ahead.
- Rahul Jain:** Sir on steel plant can you give us some update when are you going to start and what sort of numbers we are building in for this year and also related to that what kind of capex are we looking for this FY2022?
- Sumit Deb:** So the total capex for this year is around 3700 Crores and for the steel plant would be around 1500 Crores is the capex FY2022 and we are looking at commissioning the plant in somewhere around Q3.



*NMDC Limited*  
*June 23, 2021*

- Rahul Jain:** So I mean you are like so any confident this time around because obviously there have been COVID there has been lot of issues.
- Sumit Deb:** Yes that the plant is more or less ready I mean the entire plant is ready so hopefully we are now...
- Rahul Jain:** What steps are we talking for the divestment any progress on that?
- Sumit Deb:** So the divestment process is basically by the government of India they take a call I mean the Deepam does work for them. I mean that is up to Deepam. So we at NMDC at the movement we do not have any role to play in that so that will be taken care of by Deepam.
- Rahul Jain:** Sir with respect to the amount pending with the monitoring committee how much is first of all the quantum now and what is the status of the court case in the Supreme Court.
- Sumit Deb:** So the amount is around 2300-odd Crores which are there. The Supreme Court has actually told us that they would only be taking a physical hearing. They would hear this matter in a physical hearing so we just waiting for the Supreme Court to start for the process and then we will take it up.
- Rahul Jain:** Thanks and very helpful.
- Moderator:** Thank you. The next question is from the line of Amit Dixit from Edelweiss. Please go ahead.
- Amit Dixit:** Good evening Sir. Thanks for taking my question. Congratulations for a good set of numbers. I have two questions; the first one is with respect to again Donimalai so there were certain demands by Karnataka that apart from the enhanced level of royalty they were expecting something else that you have to pay some lump sum amount and all so is there any pending amount that needs to be paid or have we booked any amount except the higher royalty for Donimalai.
- Sumit Deb:** No there is nothing pending or we have to book any further note whatever is there 22.5% from the date of that coming into place we are paying.
- Amit Dixit:** So there has been no incremental cash outflow form the company on Donimalai except for that of course the enhanced royalty.
- Sumit Deb:** Yes.



*NMDC Limited*  
*June 23, 2021*

- Amit Dixit:** The second question is Sir little bit intrigued by the pellet plant, this is still making losses despite a significantly high level of pellet prices. So is it possible to throw some light on the capacity utilization of that plant and why we are making losses over there?
- Sumit Deb:** So this pellet plant basically consists of two parts one is the pellet plant in itself and the other is the beneficiation plants which we have. Now this beneficiation plant has there were some technical issues in this plant with regard to the pressure filter so that part we have taken care off now and it is we are testing the pressure filters which have been installed by the company called Teju and so now that one module is ready, the next module also is getting, we are placing an order for getting that also revamping that also and that already the plant has started production and hopefully we believe that the plant will gradually will ramp it up to its rated capacity.
- Amit Dixit:** Sir what was the utilization in Q4?
- Sumit Deb:** Q4 would be 30% probably on a monthly basis probably because we just have finished the revamping at the end of somewhere in March and we just started trial production so it would not be much to that extent.
- Amitava Mukherjee:** The 4000 tonnes of that is 8% annual, on an annual basis it was around 7%.
- Amit Dixit:** So 4000 tonnes you produced on that plant and sold in the month of March.
- Amitava Mukherjee:** Most of it came in the month of March.
- Amit Dixit:** And it is a 4000 tonnes that is the number you have given.
- Amitava Mukherjee:** In Q4 the utilization as CMD said correctly is 36% but the annual capacity utilization was only around 7% to 8%.
- Amit Dixit:** Yes, sure Sir that is fine. I have some more questions but I will come back in the queue. Thanks Sir.
- Moderator:** Thank you. The next question is from the line of Abhishek Poddar from HDFC Mutual Fund. Please go ahead.
- Abhishek Poddar:** Sir regarding the royalty just some clarity so the way things stands all the mines except for Kumaraswamy the effective royalty is 22.5% and even in Kumaraswamy from 22% or 23% when it will renew so it will go to 22.5% is that the correct understanding?



*NMDC Limited*  
*June 23, 2021*

- Sumit Deb:** So this is not exactly royalty. Royalty is 15% there is a premium which you have to pay so 150% of the royalty that is 22.5%. So right now we are paying in all the mines except for Kumaraswamy which comes up for renewal in next year.
- Abhishek Poddar:** And total what you are paying is 22.5% all combined.
- Sumit Deb:** Yes, royalty and premium included.
- Abhishek Poddar:** Sir regarding the DMF how is that going to be calculated now the District Mineral Foundation contribution. Will that be on 15%?
- Sumit Deb:** No. That is a normal there is no change in DMF NMET.
- Abhishek Poddar:** Sir just if you could clarify total statutory levies so as a percentage of sales how much that would be.
- Sumit Deb:** That is around royalty DMF and NMET comes to around 19.89% and then this additional 22.5%.
- Abhishek Poddar:** Thank you.
- Moderator:** Thank you. The next question is from the line of Vinit Maloo from Birla Sunlife. Please go ahead.
- Vinit Maloo:** Thanks for taking my question. Sir again just to clarify on the royalty side only so total is including premium et., comes to about 41% right on your these three mines except Kumaraswamy that is the understanding is it correct.
- Sumit Deb:** Yes.
- Vinit Maloo:** This absolute clarity that DMF and NMET is not payable on this additional premium?
- Sumit Deb:** No.
- Vinit Maloo:** Sir my second question is regarding the steel plant. So while I understand divestment process is being run by Deepam, I wanted to know what is the progress on demerger because it was announced sometime back that board has given the approval where exactly are we there in the process of demerger?



*NMDC Limited*  
*June 23, 2021*

- Sumit Deb:** See the demerger process has already commenced and it should in the Q3 probably be able to conclude the process.
- Vinit Maloo:** So along with the commissioning of the plant.
- Sumit Deb:** Yes.
- Vinit Maloo:** So it will require shareholder approval and all right so that we need a separate general meeting or something like that, that is also need to happen right?
- Sumit Deb:** Yes that statutory formalities need to be taken care yes.
- Vinit Maloo:** When do we reach that milestone?
- Sumit Deb:** Yes you need final approvals and clearances that is what you are saying what is that you are saying?
- Vinit Maloo:** Yes, so I am just understanding in terms of milestone, so we need general meeting approval, we probably need NCLT approval etc., right so I am just trying to understand when do we reach those milestones?
- Sumit Deb:** So you are talking of the milestones?
- Vinit Maloo:** Yes correct.
- Sumit Deb:** So that will be somewhere around end of September.
- Vinit Maloo:** Post these approvals you do not expect much time for the merger to be effective actually.
- Sumit Deb:** I could not get your question.
- Vinit Maloo:** No, what I am saying is that post these approvals you do not expect much time to be taken from that point onwards for the demerger to be finalized?
- Sumit Deb:** No. We do not see any issue on that.
- Vinit Maloo:** Sir in terms of balance sheet so now you have a bit of a borrowing and also cash balance so I pressure this borrowing is for the steel plant capex is that the correct understanding?





*NMDC Limited*  
*June 23, 2021*

- Sumit Deb:** You come again please I will just get your question.
- Vinit Maloo:** In terms, of the balance sheet you have a bit of a borrowing in the balance as of this year end so I presume this is for the steel plant capex right is that a fair understanding?
- Sumit Deb:** Absolutely that we have already picked up a 500 Crores in terms of NCDs so that is for the steel plant yes.
- Amitava Mukherjee:** Working capital arrangement also 1448-odd Crores is against working capital and 534 Crores is against the steel plants on the truly NCD that is the preliminary balance sheet.
- Vinit Maloo:** So that 1440 Crores is for the working capital for current iron ore business?
- Amitava Mukherjee:** Yes, for all business yes iron ore.
- Sumit Deb:** No I think he is asking about the debt whatever debt we have picked up that is what the loans what you have asked.
- Amitava Mukherjee:** In balance sheet the loans would show a total of 2000 Crores approximately 534 Crores is for NCD loans, which is exclusively for the steel plant and 1448 is the working capital arrangement that we have with banks.
- Vinit Maloo:** Sir I was trying to understand given the cash that we have in hand I mean why do we need to drawdown on working capital facilities?
- Amitava Mukherjee:** If I have fixed deposit with banks at 7% in the fact naturally either I will have to break those fixed deposit and loose 7% or take 4% working capital arrangement from banks. So it is better to cope with.
- Vinit Maloo:** So you had existing FDs which were yielding as much?
- Sumit Deb:** Yes, these are old FDs normally with more than one year plus tenure, up to the one year, ten year so we always take that call if we have mutual fund, we generally tend to liquidate that and use it for working capital if we do not have mutual fund if we have long-term FDs then we get to brought on especially if I have to issue BDs and other things.
- Vinit Maloo:** Sir one last question from my side, on export side we were getting preferential duties right now we do not seem to have renewed what is your expectation regarding that is that the thing will pass now or do you expect them to be restored again?



*NMDC Limited*  
*June 23, 2021*

**Sumit Deb:** No, because the current financial year whatever duties whatever concessions were been given by the Government of India that does not exist so currently there is no concession so you need to if NMDC needs to export it has to do it or by paying the duty of 30% about 58K.

**Vinit Maloo:** And how much commitment do we have on export side as we have firm contracts?

**Sumit Deb:** So what was happening was that we were exporting under this agreement based on a long-term agreement so that has now not been renewed now. So at this point of time we do not have any commitments for export.

**Vinit Maloo:** Thank you very much.

**Moderator:** Thank you. The next question is from the line of Kamlesh Jain from Prabhudas Lilladher. Please go ahead.

**Kamlesh Jain:** One question on the part of steel plant. How much capex is pending on that front Sir?

**Sumit Deb:** So currently we have already spent 18560 odd Crores and on the total capex we spend is 21300.

**Kamlesh Jain:** So roughly around another 3000 Crores is pending?

**Sumit Deb:** Yes.

**Kamlesh Jain:** Sir when we talk about the commissioning and all that. So as of now if I understand it correctly, we have yet not started the commissioning of coke oven batteries and other ancillary units. So how confident are we on the front of commissioning this entire or integrated commissioning or are we talking about like coke oven batteries or the entire integrated commissioning because even in last year around one and a half year back or one year back we had like say started the coke oven batteries and in the mid we stopped them and we were telling that it would about to get commission in a six months time but still we are two years away from that?

**Sumit Deb:** Yes, very true, but when we talk of commissioning we talk of integrated commissioning it starts with the coke ovens and then heating out the coke ovens and then it ends with the rollout of the coil so it is an integrated commissioning. In a steel plant of this nature we cannot do part commissioning and just start the coke ovens or the blast furnace in isolation so gas to be the integrated commissioning so when we talk of commissioning the plant we



*NMDC Limited*  
*June 23, 2021*

are talking of the entire commissioning. We are pretty sure now the plant is more or less ready so hopefully we should be able to start.

**Kamlesh Jain:**

So we have still not called for the tender of coking coal and all that and it takes around six months time so but so far we have not done anything on that part so I am really surprised that how confident are we on the commissioning of this steel plant since there we have no experience on that side and even the competence are not coming to India and we are talking about the Q3 commissioning so really surprised on that particular side?

**Sumit Deb:**

It is like this that as far as raw material goes coking coal we already have procured earlier and we have also placed orders for around 75000 tonnes of coking coal for the coming requirements so raw material part we have limestone, dolomite all that is tried up I mean that is not a major issue at the movement. So we are pretty confident of starting the commissioning process.

**Kamlesh Jain:**

Sir lastly on the capex side in this year we had spent the lowest amount in last six odd years and if we take any other PSUs be it Coal India or SAIL, they had done the capex like say highest in last two, three years despite that fact we have a good project in hand like say this screening plant at Kirandul and Slurry pipeline, which are very good on the part of the payback period so even then that we have won such a low amount of capex of around 1600 Crores only?

**Sumit Deb:**

On the capex front, we spent 2000 Crores in the previous financial year. Now the main capex which is there is for the steel plant. Steel plant is the main capex in which we have and the steel plant is almost complete, whatever balance payments are there we are all linked to commissioning activities. So we are at the far end. So not much spend there to be done. The other thing is with regard to capex at our mines we have a slurry pipeline, we are laying a slurry pipeline, we are doing a pellet plant and we are also doing this screening plant at Kirandul. So all these projects have been awarded, most of them have been awarded so some balance part dry circuit package in the screening plant so there are some packages to be yet to be awarded. We have started the process and I think we will be able to spend money on those projects.

**Kamlesh Jain:**

Thanks a lot.

**Moderator:**

Thank you. The next question is from the line of Bhavin Chheda from Enam Holding. Please go ahead.



*NMDC Limited*  
*June 23, 2021*

- Bhavin Chheda:** Sir what are the volume targets for next two years and if you can give mine wise breakup of Karnataka and Chhattisgarh?
- Sumit Deb:** The next year our target is to do almost around 44 million tonnes. Around 13 million tonnes is what we expect from Karnataka the balance we will do it from our Bailadila sector that is around 32 million tonnes.
- Bhavin Chheda:** A year after that you have all approvals in place or you have to go for additional mining approval to reach this 44 million tonnes?
- Sumit Deb:** No, we do not need any additional approvals of doing 44 million tonnes so up to 44 million tonnes there is no issue so no additional approvals are required.
- Bhavin Chheda:** After that what is the target and how much is the mining approval in place for all the four mines. I believe Donimalai and Kumaraswamy are capped at 7 million tonnes, 7 million tonnes each so if you can give Chhattisgarh, Kirandul and Bachelu the maximum mining's plan which is approved now?
- Sumit Deb:** That is around 37.5 million tonnes in the Bailadila sector. In Donimalai we have it is capped at 14 million tonnes and we are getting another additional 3 million tonnes that will be there in Kumaraswamy so that will go to 17 million tonnes in sometime to go so the balance we will have to do if we have to ramp up in production so we are planning to go up to 100 million tonnes so then we will have to we are in the process of seeking permissions for enhancing our EC capacities from the current 51.8 million tonnes to around 83 million tonnes.
- Bhavin Chheda:** So from 51.8 million tonnes to 83 million tonnes is the long-term plan.
- Sumit Deb:** Yes, that is the long-term plan.
- Bhavin Chheda:** Sir I missed out on these when is the next renewal for Kumaraswamy on which this additional premium of 22.5 is not applicable?
- Sumit Deb:** That is next year 2022.
- Bhavin Chheda:** 2022 which month if you remember, mid 2022 or something so probably in FY2023 all mines will come under this additional premium of 22.5%.
- Sumit Deb:** Yes, all the mines will come.



*NMDC Limited*  
*June 23, 2021*

**Bhavin Chheda:** Regarding the question on this exports since the government has not extended so what would be the company policy they are getting the export and pay this export duty or you will sell additional volumes in domestic market because this was very high grade volumes which were being exported to Japan and Korea probably the domestic market is more for 62, 63. Earlier company used to export 64, 65 also so what would be the company strategy for this additional volumes which are now available either via in domestic market or you have to pay export duty and still export?

**Sumit Deb:** There is sufficient demand in the domestic market to absorb this additional in any case we are doing 2 million tonnes, 2.5 million tonnes in the export we are putting that was the quantity so now that is available to be sold in the domestic market and they are exist sufficient demand in the domestic market so that should not be a major issue, and in any case currently if we have to export we have to pay the duty and then export.

**Bhavin Chheda:** Sir historically you have gone by a long-term contract route to export I know volumes obviously one of the reasons being cannibalizing agency shipment and this waiver of export duty but now you are in line with the other Odisha miners who regularly export so will company use a spot opportunities when the demand is low in market or when the domestic iron ore prices is not at parity to export prices since it is NMDC position is now in line with the other Odisha miners who regularly do export so what would be the company strategy going forward?

**Sumit Deb:** If you look at exports whatever we are doing was high-grade ore which was being exported so now that is not there or we will pay duty and then export. If you look at exports from Odisha most of it is done in the grades of 57 and below. So the low-grade gets exported because of the duties I mean the 0 duty or there is no duty on that below 57. As far as the NMDC goes we do not have any major quantities of low-grade ore available so we look at that opportunity as and when it is available.

**Bhavin Chheda:** My last question on the steel plant which has a separate iron ore mine for itself what is the development progress on that and is that mine also getting started along with the steel plant or if you can give some dates on that mining capacity approval on that and how much amount has been spent for development of that mines?

**Sumit Deb:** So there is no separate mine attached to the steel plant.

**Bhavin Chheda:** So when the steel plant starts you will be using existing NMDC volumes to that plant?



*NMDC Limited*  
*June 23, 2021*

- Sumit Deb:** Yes, exactly so the existing ore from our mines only is getting utilized for this steel plant.
- Bhavin Chheda:** Thank you Sir.
- Moderator:** Thank you. The next question is from the line of Rohit Potti from Marshmellow Capital. Please go ahead.
- Rohit Potti:** Thank you for the opportunity. Congratulations on delivering such excellent set of numbers. My question primarily around the MMDR amendment that came recently so one of the major amendments it seems to be the fact that rather than designating the mining lease as the legal entity the mine itself has been designated as a legal entity and my understanding is that any approval EC/FC etc., which is obtained for the mine will be valid for the entire economic life of the mine. So is my understanding here correct?
- Sumit Deb:** Yes, as far as you also understand this whole thing it is what you are speaking of, yes.
- Rohit Potti:** So this means pretty much Sir any EC/FC clearance I mean so in that there is also with additional provisions which favor the PSU miners in the sense that any mine that is with PSU will automatically get extended beyond after the mining lease period is over so this pretty much means that once we get an EC/FC clearance as you are saying that state for 83 million tonne that will remain in place for the entire economic life of the mine and even if the mining lease expires there is no issue in terms of getting the whole clearance again? Am I right?
- Sumit Deb:** Yes, that is what we also understand and even now normally most of the PSU mines I mean we expect them to get renewed. What we are looking at is now this 51 we are asking for a enhancement based on our reserves we are asking for enhancement of our EC capacities.
- Rohit Potti:** So once the EC is obtained it will be valid for the entire life of the mine let us say if it is 50 years, 100 years whatever right?
- Sumit Deb:** Currently, in Bailadila sector, it is valid up to 2035 so hopefully we should get an extension after that.
- Rohit Potti:** So my confusion is for mining lease is valid up to 2035 but the economic life of the mine will be let us say till 2070 or something so my understanding is so since the mine is the legal entity the EC/FC whatever we take is valid till the economic life of the mine and not the mining lease is that understanding correct?



*NMDC Limited  
June 23, 2021*

- Sumit Deb:** Yes, currently that is what is our understanding also.
- Rohit Potti:** That was helpful. With the MMDR provisions also allowing transfer of mines more easily and given that no presence in Odisha which is the largest iron ore producer in the country given our cash balance and cash flow will we look at acquisitions and such strategies going forward?
- Sumit Deb:** Yes, we have been talking to the Government of Odisha and similarly to other state governments also where there are mining assets available iron ore specifically. We are talking to them in terms of allocation of mines to NMDC.
- Rohit Potti:** So do you expect something to happen in the next couple of years or are still waiting for guidelines from Ministry to come on this?
- Sumit Deb:** No we are talking to the state governments basically and also with the Ministry also, yes.
- Rohit Potti:** My last question is on so again on the MMDR Act there are I mean so we have a lot of mines which are stuck due to legacy issues and litigations issues so it is curious to know and again the act seems to indicate that those will be resolved quickly to ensure production comes on stream quickly. In the past for example we have express interest in the BPMEL Mines which are my understanding is a very, very high quality and the reserves are also quite good so do you see anything happening on those? Do you see the litigation going away and getting access to those mines as well going forward?
- Sumit Deb:** No. I could not get your question what was this mine you are talking of?
- Rohit Potti:** Again my understanding as per the provisions of the MMDR Act is that the legacy issue mines or the mines that are litigated those will be resolved quickly and mining production begin soon so in the past for example we have expressed interest in one of the litigation mines which was BPMEL Mines which my understanding is that the BPMEL Mines are of very high quality and the reserves are also quite high so do you see litigated mines like BPMEL to come on stream for us do you intent to participate and buy them etc?
- Sumit Deb:** No, I am not aware of this BPMEL thing whatever mines. In any case we do not have, NMDC at currently we do not have any mines which are under litigation so that question at this point of time is not relevant. We do not have any mines which are under litigation. In fact other way round if there is any mines which are there like I told you we have been talking to the state governments and which have been auctioned but not started we are



*NMDC Limited*  
*June 23, 2021*

talking to state governments so we will ask them for allocation of those mines to us that there is an enhancement of iron ore production, currently there appears to be some sort of shortage so we are requesting if any mines which are there which have been auctioned and the owners have not started production so that could be allocated to us. In that context we are talking to the state governments.

**Moderator:** Thank you. The next question is from the line of Nishta Mukherjee from Steel Mint. Please go ahead.

**Nishta Mukherjee:** Sir could you highlight on the near-term outlook on Indian domestic iron ore prices?

**Sumit Deb:** Pardon me. Come again please?

**Nishta Mukherjee:** Sir a brief outlook if you could give on the Indian iron ore prices considering the current tight availability of merchant ore in the market?

**Sumit Deb:** If you look at the current in case of Odisha which is a main producing state at this point of time so the production in Odisha has also gone up but I believe there is a substantial uptick in the demand also because most of the steel plants have ramped up capacities to 80%, 90% so the demand still exist. There is a very strong demand in Odisha. Also we are seeing demand from other steel plants also so we do believe that the prices would be buoyant at this point of time; however, looking at the current monsoon season we see a downtrend in prices of steel so that would probably again affect our pricing however the long-term we do believe that prices are strong and will remain stable.

**Nishta Mukherjee:** Thank you so much.

**Moderator:** Thank you. The next question is from the line of Ashish Kejriwal from Centrum Broking. Please go ahead.

**Ashish Kejriwal:** Good evening everyone. Sir my question is for this timeline for demerger you said that it is in the September end but if we can say give us a proper timeline these things have to be done after that this will happen so that we can also look at the different timelines because last year in September 2020 you said six to nine months so we are already away nine months and still we are seeing around three to six months more than that. So what are the things which one should look at like for example when you will come out with the shareholders approval and once you receive shareholders approval how much time you will





*NMDC Limited  
June 23, 2021*

need for further finally demerging and things. So if you can give a proper timeline I think that will be helpful rather than saying that it will be in the second quarter?

**Sumit Deb:**

I will tell you what is the demerger process first we need a set of accounts and then you get some opinion about fairness and accounting treatment and other things and then you put it up to board for approval of the draft demerger scheme. So this since now the accounts has been accepted this will be able to do by July 31, so we expect the board to sort of give its approval to the draft demerger scheme by July 31. Once that happens then we take it to SEBI and Competition Commission of India and come back and then modify if they have something to say and then submit it to the MCL by all accounts this is a process after the board approval could take anything between 100 and 160 days depending on how much time SEBI takes how much time MCL and other people take. So from if I start from 1st of August could be anything within 100 days from August to 160 days from August.

**Ashish Kejriwal:**

So the first point is board approval?

**Sumit Deb:**

That in effect of account that the accounts has been adopted yesterday so if I take 14 as the appointed date then we can approach the board for its approval of the draft demerger scheme on July 31.

**Ashish Kejriwal:**

Sir just one clarification on the royalty part you said that royalty in fourth quarter for Donimalai was stable from the time they started and for Chhattisgarh is it only for three days because Chhattisgarh got around 100 Crores and three days we must be producing not more than 0.4 million tonne so that roughly comes to be around?

**Amitava Mukherjee:**

In Donimalai there is no royalty, no premium on Kumaraswamy production and as per MD says the Donimalai production was only 0.5 million tonne so that is way was there in Chhattisgarh for the three days it was around more than that.

**Ashish Kejriwal:**

That is why I am saying Sir 100 Crores you paid for Chhattisgarh and 100 Crores for three days production seems could be much, much higher because three days we can produce that is 0.4 million tonne and for 0.4 million tonne we are paying 1000 Crores which means the 100 Crores which means around Rs.2600 per tonne of additional premium so that maths was not matching so that is why?

**Amitava Mukherjee:**

We produce the premium product the DRPL.

**Ashish Kejriwal:**

That is very small part of the overall thing maybe I will take offline.



*NMDC Limited*  
*June 23, 2021*

- Amitava Mukherjee:** Yes. You can take it offline.
- Ashish Kejriwal:** Thank you.
- Moderator:** Thank you. The next question is from the line of Vinit Maloo from Birla Sunlife. Please go ahead.
- Vinit Maloo:** Sir my question is about your expansion plan. You said that you are filing for expansion of limits, EC limits etc., of about 83 million tonnes. Now for this expansion, are you also discussing with potential customers for long-term offtake contract, etc. Because current situation seems to be exceptional and as good amount of exports happening out of the country but as soon as international prices normalize the exports window closes right and there is adequate iron ore available plus there is some mines which will be ramped up also which have got allotted after the auctions. So how do we secure customers for that volume and or are you going to rely on spot sales only.
- Sumit Deb:** Technically NMDC for most of our quantities we have tied up with long-term customers only whether it is in the Bailadila sector in Karnataka obviously everything is under the monitoring committee auction process so in case of Bailadila it is all based on long-term contracts or long-term agreements which we have with the linkages basically.
- Vinit Maloo:** But Sir those contracts seems to have quite a bit of flexibility about offtake quantities because we see that whenever Odisha prices are lower etc., your customers actually start sourcing from there instead of buying from you?
- Sumit Deb:** No obviously it does happen but then that happens mostly in the Chhattisgarh sector where we have smaller customers these sponge iron customers which tend to move here and there but otherwise if you look at the integrated players whether it is ArcelorMittal, whether it is JSW, whether it is RINL and most of the other players they are very consistent player with us. So there is no issue with them and we are in constant communication with them in terms of enhancing, looking at our additional capacities which will be there for sale we have also not closed our options for export for those additional volumes also.
- Vinit Maloo:** Sir would you also be looking at valuation projects like pellet etc., along with that.
- Sumit Deb:** So what we have done is that we are putting up a pellet plant 2 million tonnes pellet plant at Nagarnar and there is a slurry pipeline which we have that is a phase I of this slurry pipeline up to Nagarnar from the Bachel and then a pellet plant at Nagarnar and subsequently in the



*NMDC Limited*  
*June 23, 2021*

second phase we are coming up with another pipeline up to Visakhapatnam and a pellet plant there of around 6 million tonnes capacity.

- Vinit Maloo:** And this is pure pelletization no beneficiation right this is just the ore pelletization plant?
- Sumit Deb:** No. We are putting up a verification plant at both at Kirandul and Bachel to beneficiate the ore specifically.
- Vinit Maloo:** But Sir we have had very limited successful beneficiation efforts earlier so that is why I was just wondering?
- Sumit Deb:** We are putting up a screening plant which has a dry circuit package of beneficiation so all that is being done. We have already most of it is now tendered out and some of it is we are in the process of tendering. So this beneficiation plant beneficiation process is already decided and we will go ahead with that.
- Vinit Maloo:** Sir what is the total project outlay you expect on this pellet and beneficiation plant?
- Sumit Deb:** For the phase I?
- Vinit Maloo:** Sir all put together.
- Sumit Deb:** Should be around anything around 7000 Crores to 8000 Crores.
- Vinit Maloo:** That will take about four years?
- Sumit Deb:** Yes, the phase II of the project we have not yet started the phase I of the project is only done the phase II of the project is not yet started.
- Vinit Maloo:** The phase I is 7000 Sir.
- Sumit Deb:** No, phase I is 3000.
- Vinit Maloo:** Thank you so much Sir.
- Moderator:** Thank you. The next question is from the line of Satyadeep Jain from Ambit Capital. Please go ahead.



*NMDC Limited*  
*June 23, 2021*

- Satyadeep Jain:** Just a couple of questions on your investment NMDC is a shareholder in Neelachal Ispat just on that any you mentioned your debt number 80 Crores in Neelachal any idea what would be the total debt at Neelachal and how profitable the plant was running into losses last year. What is the kind of profitability for the plant when you look at some of the peers in industry there are still a loss making entity this year also?
- Sumit Deb:** You are talking of Neelachel Ispat, NINL?
- Satyadeep Jain:** Yes.
- Sumit Deb:** Currently that plant is closed down and it is under disinvestment. That plant is will be disinvested by the government.
- Moderator:** Thank you. The next question is from the line of Pinakin Parekh from JP Morgan. Please go ahead.
- Pinakin Parekh:** Thank you Sir. I have two quick questions waiting for a long time. My first question is Sir the 22.5% higher royalty that is now applicable to your mines your pricing is as ex-mine so are your customers paying the higher royalty to you or you have to bare the higher royalty?
- Sumit Deb:** So currently it is not a pass through item so but we are taking care of that additional amount in our pricing.
- Pinakin Parekh:** To year extent your pricing reflect for the April, May very sharp price hikes that we have seen by NMDC was also to an extent to account for effectively the 15% royalty going to 22.5% royalty?
- Sumit Deb:** Yes.
- Pinakin Parekh:** Sir my second question is on the steel plant given that plants take a long time to get commissioned, there is start up expenses and you said that the accounts need to be prepared before the demerger so is it fair to say that the demerger process would get completed only after the plant is commissioned or will it be before the plant is commissioned?
- Sumit Deb:** Both the processes run simultaneously so there is no connectivity between them. Our attempt is to ensure that both the processes are complete at the earliest.
- Pinakin Parekh:** After the demerger takes place of the steel plant, NMDC would be supplying the iron ore from its mines at market prices to the steel plant or would there be some discounted pricing



*NMDC Limited*  
*June 23, 2021*

because the whole point is that the steel plant capex was done with the assumption they are able to stay under NMDC and it will have access to lower cost to iron ore but after the demerger if it has to pay market price for iron ore then just trying to understand how will this steel plant be viable?

**Sumit Deb:** As with all other customers who offtake iron ore from us we have a long-term agreement and that is also going to be the same with Nagarnar steel plant. As far as pricing goes it will be on an arm's length pricing.

**Moderator:** Thank you. The next question is from the line of Mohit Bhansali from Bonanza Capital. Please go ahead.

**Mohit Bhansali:** Thank you Sir. Sir seeing the current auctions in Odisha do you see any further scope to price increment and the second thing is then in Nagarnar can you please give us what amount of hiring you will be required permanent as well as contractual and what is the status of hiring for the steel plant? Thank you Sir.

**Sumit Deb:** If you look at Odisha like I mentioned earlier, currently the prices have more or less peaked in terms of steel prices and with regard to currently the monsoons have traditionally being a dampener on steel prices specially the long product pricing. So prices are more or less flat now and we believe that in Odisha also the prices have flattened, similar with regard to NMDC also. Currently the prices which we are operating on is more or less we believe that there is not much headroom at the moment currently for any sort of increase, but going forward post the monsoons once the activities pickup with the COVID protocols relaxing then we believe that things will improve definitely.

**Moderator:** Thank you. The next question is from the line of Ayush Agarwal from Mittal Analytics. Please go ahead.

**Ayush Agarwal:** I just have one quick question which is the 22.5% royalty that we are paying it gets reflected in our expense line item, the other statutory levies that you are talking about is that sales net off that or what do we count as Sir?

**Amitava Mukherjee:** You are talking about the statutory levies?

**Ayush Agarwal:** Yes, the 19.87% you talked about.

**Amitava Mukherjee:** So they are taking care of expenses.



*NMDC Limited*  
*June 23, 2021*

- Ayush Agarwal:** Where is it hitting in the P&L?
- Amitava Mukherjee:** You wanted to know where it is reflected in our balance sheet you are talking of the extra this month?
- Ayush Agarwal:** Yes, so the statutory levies of 19.89% where is it?
- Amitava Mukherjee:** They are being reflected along with our expenses I mean the expenditure this one.
- Ayush Agarwal:** Under the royalty line item.
- Amitava Mukherjee:** It will be reflecting under the royalty item yes.
- Ayush Agarwal:** Right now if you see that we are paying around 1550 Crores of royalty which is around 22.5% on our sales currently so how does it added so 22.5% is additional right apart from this 19.89%?
- Amitava Mukherjee:** Yes, the 22.5% is additional.
- Moderator:** Thank you. The next question is from the line of Novel Baz from Ashika Stock Broking. Please go ahead.
- Novel Baz:** My questions have been answered.
- Moderator:** Thank you. The next question is from the line of Rahul Jain from Systematix. Please go ahead.
- Rahul Jain:** Sir once again on the royalty part for example if you see in the last quarter the royalty number seems to be absurdly high so is it like a normalization of your previous production or something like that and also would you get a tax reduction for the premium that you will pay or it will not be allowed as a reduction?
- Amitava Mukherjee:** No. I do not think there is any tax benefit there or any relaxation there. As far as the royalty goes, you are seeing that whether it is, your question was whether the royalty is...?
- Rahul Jain:** No. The premium part would be allowed for tax reduction or it would be like you would not be allowed so that will be, your tax rate will go high to that extent?
- Amitava Mukherjee:** In terms of the pricing, you are talking in terms of the price?



*NMDC Limited*  
*June 23, 2021*

- Rahul Jain:** No, in terms of when you deduct from your cost when you have calculate your PBT so will you be allowed a reduction for a tax calculation?
- Sumit Deb:** For your tax calculation, no I do not think it will be allowed.
- Amitava Mukherjee:** No it is a normal expenditure item it will be allowed as a tax deduction.
- Rahul Jain:** Thanks Sir.
- Moderator:** Thank you. The next question is from the line of Vikas Singh from PhillipCapital. Please go ahead.
- Vikas Singh:** Good evening Sir. Sir I just want to understand we are targeting almost 6, 7 million tonnes additional from Chhattisgarh in terms of logistic for evacuation purpose what has been change it should allow us to evacuate that much of higher material and secondly the debt which is currently sitting on our books post demerger that would completely be transfer to the steel mill books?
- Sumit Deb:** Yes the debt would be transfer to the steel plant.
- Vikas Singh:** For the logistics part?
- Sumit Deb:** As far as logistic goes there is a doubling of the KK line which is already taking place. Most of it is complete 60%, 70% is complete. Partly we are doing partly based on deposit what basis with the railway and the balance stretch from Nagarnar to Jagdalpur and from Jagdalpur to Visakhapatnam that is being done by railways itself so most of the work is done. Some patches are left which will get completed which will take some more time otherwise we are able to utilize whatever is available right now. As I said 60%, 70% is complete so that availability is there so there should not be any difficulty in moving this 18, 19 rakes which we envisage to evacuate the material.
- Vikas Singh:** Sir basically right now we are entering into a monsoon phase so even if we take another six, seven months because this doubling up line has been taking place from years now so would we have enough for time lack to during this year to actually evacuate kind of a million tonne extra every month in last six months or so even if we complete everything in next six, seven maybe three, four months just wondering whether we would have because our first quarter kind of the run rate have been kind of 3 million tonne a month kind of run rate?



*NMDC Limited*  
*June 23, 2021*

**Sumit Deb:** Around 1 million tonnes run rate. What happens is that if you look at our targets of 44 or around that number so most of it is 7 million tonne is additional from Donimalai, the balance will come from Bailadila so the balance part of it is not very additional which will come from Bailadila will be able to take care of it that is not a very big issue, evacuation.

**Moderator:** Thank you. The next question is from the line of Bhavin Chheda from Enam Holding. Please go ahead.

**Bhavin Chheda:** Sir one question on the steel plant since you are going through the demerger route earlier expectation was there was a possibility of disinvestment or bringing in a partner in that but if that is getting delayed or not happening, we will lose the tax benefit because your iron ore company, parent company is very profitable paying full tax and if you demerge the steel company which initial years would be making losses so what is the thought process of the board on that because that will be against wishes of the minority shareholder that you keep paying full taxes in the parent company whereas you cannot recoup the losses in the subsidiary?

**Sumit Deb:** What we have done is that we have demerged this company that the steel plant is a separate company. It will be a separate entity in itself, a mirror unit of NMDC plus the debt whatever we are taking on. Obviously for obvious reasons in the steel plant it does not make any money initially there is going to be some losses there. So that will be there we are not yet decided or it is going to be a separate entity at the moment. Do you want to add anything on this if you are there, Mr. Mukherjee?

**Bhavin Chheda:** No so my question to the board is that when there is no visibility whether that steel plant would be divested or you bringing in a partner and you are going ahead with demerger and creating a separate entity, there would be losses for two, three years and probably something would happen after that whereas your parent NMDC which is a profitable company, you are paying full tax and there will be tax outgo whereas you will be not be able to offset steel losses ever so how does it benefit the minority shareholder and how could that if there is no visibility how this can be justified to the shareholder?

**Amitava Mukherjee:** I have understood your question now listen to me. First of all you are seeing it only from the tax benefit it will also reduce the profits in the first phase so the tax benefit is much lesser than what it would have reduced the profits in the first phase so it either making a loss of 1000 Crores in the steel plant so my bottom line will go down by the 1000 Crores and my tax benefit will only be around 300 Crores so we will make loss still would be to the shareholder of 700 Crores.





*NMDC Limited*  
*June 23, 2021*

- Bhavin Chheda:** So but it is a 100% subsidiary it will be anyway consolidated we look at consolidated profits?
- Amitava Mukherjee:** See it is not a subsidiary right now it is part of NMDC itself.
- Bhavin Chheda:** No Sir. That is what I am saying when you even create a 100% subsidiary creating a separate entity it would remain a NMDC subsidiary the consolidated accounts would anyway reduce your consolidated profits that would lead to a full tax outgo of the iron ore profit Sir?
- Amitava Mukherjee:** Yes.
- Bhavin Chheda:** So how does it benefit the shareholder community Sir?
- Amitava Mukherjee:** See this company the steel company is never a subsidiary of NMDC as of now it is a part of the main mining company itself. It is not a subsidiary and it will be straightaway demerged.
- Bhavin Chheda:** Will you be listing it separately giving separate shares of the steel company and listing it separately?
- Amitava Mukherjee:** That is what demerger is. It is a company with a mirror shareholding and the umbilical cord between NMDC and the new company will be cut. It will be as it dependent a company of NMDC as SAIL is or as RINL and Vizag is.
- Bhavin Chheda:** Thank you Sir.
- Moderator:** Thank you. The next question is from the line of Mangal Nevediya from Kotak Securities. Please go ahead.
- Mangal Nevediya:** Just two clarifications on the steel plant division. One is since you expect 3Q commissioning what is the commercial HRC volume guidance for FY2022 and 2023 and second in one of the previous questions you said that there is no mine allocated to the steel plant but from memory if I recollect the deposit 13 which was under JV with CMDC and NMDC and that went into trouble because of some MP allotment to Adani. So is there any update on that mine? Is that mine is now not seen any progress and we expect only supply from NMDC to the steel plant?
- Sumit Deb:** Currently we have two mines under NCL which is NMDC CMDC Limited which is deposit 13 and deposit 4. So deposit 4 is in quite advanced stage of being allocated to NMDC so



*NMDC Limited*  
*June 23, 2021*

once that order comes then from the state government then we seek all the clearances the forest clearance and the environment clearance. As far as the deposit 13 goes still the matter is yet to be decided so it still remains under question because the state government is canceled the gram sabha or the clearance which was given earlier so that is still under discussion with the state government but in any case there are no mines which are attached to Nagarnar Steel Plant and whatever we supply iron ore we will be supply it will be on an arm's length basis similar to what we are doing with all other customers and with regard to the sales of Nagarnar steel plant products you mentioned that also.

**Mangal Nevediya:**

Yes, so the volume guidance in the second half of this year and next year HRC volumes that we seem to sell?

**Sumit Deb:**

What happens basically is when once we start the steel plant most of the products will be we would not be certain of the quality or the grade of the material so there will be most of it would be non-standard products which we do produce so we currently would not like to comment on the sort of volumes which will be available and so once the commissioning process is over so that would take around the total ramp up and commissioning so then we will be able to come out with some sort of figures but most of the products which will be there now available which will be all non-standard products.

**Moderator:**

Thank you. That was the last question. I would now like to hand the conference over to Mr. Vishal Chandak.

**Vishal Chandak:**

Thank you very much. Thank you everyone for participating, and my apologies if you have not been able to ask your questions the queue was pretty long. Thank you very much Sir and for any other questions please feel free to write to NMDC. Sir over to you for the closing remarks.

**Sumit Deb:**

Thank you so much Vishal. We have had a very good Q4 and hopefully going forward in FY2022 also we intent, the most important thing is to start the commission of the steel plant that is one of our main areas of concern. There have been substantial delays and you would like to ramp this demerger process and commissioning of the steel plant. The other thing is we would like to ramp up production to the 44 million tonnes at least in and around that figure is what we wanted to do, we intent to do. Prices are looking good. So we want to take advantage of the whole situation and there is good demand in the country, domestic demand. Exports obviously we are not looking at too much at exports at this point of time looking at trying to satisfy the domestic demand. So these are some things and also the most important thing is to also ensure that the slurry pipeline and the capex spending on the



*NMDC Limited*  
*June 23, 2021*

slurry pipeline and the screening plant at Kirandul, we are also coming up with a screening plant at Donimalai also SP-II. We do so we intent to enhance our capacities we intent to revamp our existing loading plants and the other old equipments in fact we are running it, We are getting in RHEL equipment, is also we want to get in more equipments and heavy duty equipments that we are able to take care of the production. As regards logistics also we want to improve our evacuation plans in doubling and we would intent to see ensure that the doubling of the KK line takes place as at the earliest. We are talking to railways so all put together we have the plan for future looks bright for NMDC. Thank you for having us here on the concall.

**Moderator:**

Thank you. On behalf of DAM Capital that concludes this conference. Thank you for joining us. You may now disconnect your lines.