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.
Regd. Office : 'Khanij Bhavan' 10-3-311/A, Castle Hills, Masab Tank, Hyderabad - 500 028.
नैगम पहचान संख्या / Corporate Identity Number : L13100TG1958 GOI 001674

No. 18(1)/2021- Sectt

20th November 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: Transcript of NMDC Limited post Q2 FY 2021-22 Results Conference Call

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 Transcript of NMDC Limited post Q2 FY 2021-22 Results Analyst / Investors Conference Call held on 12th November 2021 at 12.00 hrs (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 Q2 FY-22 Earnings Conference Call"

November 12, 2021

ICICI Securities

CHORUS CALL

MANAGEMENT: MR. SUMIT DEB – CHAIRMAN & MANAGING DIRECTOR
MR. AMITAVA MUKHERJEE – DIRECTOR (FINANCE)

MODERATOR: MR. ABHIJIT MITRA – ICICI SECURITIES LIMITED

Moderator: Ladies and gentlemen, good day and welcome to the Q2 FY22 earnings conference call of National Mineral Development Corporation Limited hosted by ICICI Securities Limited. As a reminder, all participant lines will be in 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 telephone. Please note that this conference is being recorded. I now hand the conference over to Mr. Abhijit Mitra from ICICI Securities Limited. Thank you and over to you Sir.

Abhijit Mitra: Thanks operator and good afternoon to all the participants and thanks for joining in. We are here to discuss Q2 and H1 FY22 Earnings of NMDC Limited. From the management we have Mr. Sumit Deb - Chairman and Managing Director and Mr. Amitava Mukherjee – Director (Finance). Without further ado, I'll hand it over to Mr. Deb for his opening remarks.

Sumit Deb: We at NMDC have put up a very strong performance on the production front in Q2, which is reflecting in the results, which is there. So, specifically Q2 is normally a monsoon month where our productions get affected generally. This is the user industry also, there is a slow down, but this time on, we have performed exceptionally well in the production front. That is, how, we have just dropped a lakh tonne vis-a-vis our Q1 performance. So, that has been very good and that is how if you look at our revenue from operations and H1 revenue that has been substantially it has boosted our performance, to that extent, I think our employees, our stakeholders and with the support of the Government, I mean there's been a quite good results, which is there to see.

With this, I would request Abhijit, you can start the con-call.

Moderator: Sir we open it up for Q&A.

Sumit Shah: Yes please.

Moderator: Ladies and gentlemen, we will now begin the question and answer session. The first question is from the line of Amit Dixit from Edelweiss Broking Limited, please go ahead.

Amit Dixit: Before realization if I see blended realization that has gone up by almost more than Rs. 700 a tonne, despite your underlying prices not going that much. Is there any one off in the realization that we are missing? Is there some carry over from last quarter?

Amitava Mukherjee: Actually, if you see the average realization has gone up by Rs. 221 without the royalties, other things, of which let us say about Rs. 100 is for better grade. That is we have got this time more bonuses. That accounts for about Rs. 100 despite that going down. Also, slime sold in Q2 is about a 1.3 lakh tonnes less. As you know slimes are generally priced very low at about 1,800.

So, that brings down the average. So, that's another reason. The third is and which is the most important thing is that there has been a deferred lifting of Q1 in Donimalai as compared to the current lifting. Even in the month of August and September, those auctioned in the month of April and May when the prices at peak have been lifted. That is another reason why the average realization has gone up despite the prices going down in Q2. These are the three reasons.

Amit Dixit: A follow-up on this, do you see this lesser slime sales and grade to hold is it sustainable or grade can again go down?

Amitava Mukherjee: Obviously it is sustainable, the production practices now being followed we are concentrating on the quality. We accept quality to be maintained and that is why you will have this bonus instead of penalties. We expect the bonus still to continue and regarding slime sales of course, our first preference would always be to sell our main line products, which is the lumps and fines.

Amit Dixit: The second question is on your cash balance. So, if we look at the cash balance, if I include the bank balance and everything, that is around 8,800 crores at the end of September, can we expect some enhanced cash return to shareholders?

Amitava Mukherjee: Well, we cannot discuss this on a con call. This is for our Board to take a call. I cannot preempt the Board regarding cash distribution. You will know about it in due course of time as and when the Board takes a call.

Moderator: The next question is from the line of Vishal Chandak from Dam Capital Advisors Limited. Please go ahead.

Vishal Chandak: Just wanted to understand, what is the status of the Nagarnar steel plant demerger?

Sumit Deb: Nagarnar demerger is on schedule we should probably be doing it in Q4 sometimes. So, that's, the status currently.

Vishal Chandak: Just to follow up on that, last time, I think you mentioned that the accounts of the two divisions could be presented, separately by as early as Q3. So, are we on target for that or we still have some time or the separate accounts for the two divisions mining and the steel businesses would be done in Q3 or Q4?

Amitava Mukherjee: No, I cannot present a separate account unless the demerger actually comes through. So, we are expecting it to come through in Q4 and we are fairly on target on that, because the stock exchanges it has been filed, we have not received any objection, we are requesting SEBI for the clearance and once the SEBI gives the clearance we will be on the fast track asking the government for holding the shareholders meeting and creditors meeting and all that. So, to that extent Q4 it will be done, but separate account can be presented only when the demerger actually takes place.

Vishal Chandak: My second question was with regards to your expansion plans. So, are we sticking onto our earlier projected guideline of about 42 million tonnes this year and roughly about 45 for next year?

Sumit Deb: We should be able to do, 42 is something which is doable and our intention is to do much more than that. So, that's, something which we are working on.

Moderator: The next question is from the line of Noel from Ashika Stock Broking Limited, please go ahead.

Noel: I have two questions. One is actually relating to the pellet plant, which is expected to be commissioned in Q3, 1.2 million tonnes is it on, has it begun the production will be right now or production in 4Q?

Sumit Deb: This pellet plant is already commissioned and it is already operating. However, we had some technical glitches there with regard to the verification process. So, that has been sorted out now and this year we have produced almost a lakh of tonnes and hopefully now, we should be able to run it smoothly continuously.

Noel: A second question is actually regarding the production target for FY22. I think last time it was mentioned at about 44 million tonnes. There has been no revision to that on that front?

Sumit Deb: That's generally that's around 44, 45 is that what we're intending to do.

Noel: Could I have mine -wise breakdown of that because …?

Sumit Deb: Pardon?

Noel: I just wanted to know this 44 million, because it is quite higher than the previous year, so I just wanted to know where exactly is the growth coming from?

Sumit Deb: So, in Karnataka we are restricted to around 14 million tonnes and the balance come from Bailadila sector.

Moderator: The next question is from the line of Rishab Dugar from CD Equisearch Private Limited, please go ahead.

Rishab Dugar: I just want to know that is there any scoop of improving efficiency of your mining operations by retaining large part of your annual free cash flows, which is somewhere near around Rs. 7,000 crores?

Amitava Mukherjee: We do have a lot of CAPEX planned now, we have got some major sanctions over the last three, four months that we can put 700 crores for shifting our crushing plants as a deposit 14c another shifting of crushing plants. We have our Rohne and Tokisud coal blocks coming in and then we have the 35 pellets, we are investing big slime into capacity utilization, both in terms of production and also for dispatches. So, once, these things come on line, free cash flows will be used for these major investments that we are planning and which will not only debottleneck our existing plant capacities, but it will also significantly enhance our production capacities in by 25-26 we should be able to see the benefits on the ground in terms of increased production.

Rishab Dugar: Can you give a bit idea about quantifying the amount that you could spend? Because what I can see that in this half year you have done around 1,000 crores of CAPEX of which I assume that 600 crores is for the steel business, for the non-steel business, it's just around 400 crores which is very less compared to the cash flows you are generating. Could you quantify that we can see a change in this balance?

Sumit Deb: So, what happens is that we have just started investing in these facilities, like Amitabh has mentioned, whether it's the slurry pipeline, or it is our doubling of kk lines, especially the slurry pipeline, the pellet plants and the other expansion mine expansion. These are just, process has started and hopefully you should be able to see the results in terms of the CAPEX plan spending and enhancement of production capacities in the coming days.

Rishab Dugar: So, you're talking about these processes, which have just started. Just, I just want to know that the nature of these processes, is it more focusing on increasing our production capacities, or is it more focusing on improving the efficiency of your existing capacities?

Sumit Deb: It goes both ways investing in the logistics set up and then evacuation and enhancing mine capacity and then automation and digitization of mines. So, these are all the things which we are focusing on currently.

Amitava Mukherjee: May I add, you see our plants already operated 95, 97% capacities. It's not that there is any efficiency lag in our existing operations. These are focused also on the capacity enhancement. We have new SP III, that is the screening plant III with an investment of around, 3000 crores that we have already awarded that work. That will increase the screening capacity by 12 million tonnes. We have all these on the pipeline and since there is a particular process from sanction to tendering and to actual execution of work, these are at various stages so you see the things coming up from late this financial year and next financial year where the capacity would be, very significantly increased.

Rishab Dugar: What I can conclude that you are saying that the current non steel CAPEX we will see a change in that and will be much higher than what it is now?

Amitava Mukherjee: Obviously. As I said, we have just awarded a tender for about 1,500 crores, for the third screening plant, we have got these sanctions for relocating our crushing plants. That will be another 1,500 crores, so major CAPEX have been sanctioned. Now, to take them to the execution stage it will take six to eight months in terms of tendering in terms of making the specifications etc. Once that is done so we'll see the effect coming up on CAPEX.

Moderator: The next question is from the line of Anuj Jain from Globe Capital, please go ahead.

Anuj Jain: I just want to know, how's the demand scenario right now and how it looks going forward?

Sumit Deb: The demand appears to be good. I mean, especially in the domestic front, there's a lot of good demand for steel and that's our user industry. Most of the iron ore goes into the steel sector. So, especially in the flat segment we see a lot of demand, a lot of pull in that segment, so appears to be good. Yes.

Anuj Jain: So, one more thing. I mean, as we have seen in the last Q2 and the first two months, we have seen the price decline of the lumbar and fines and in this month for the month of October, we have seen that, there is no decline in the prices, which you have announced just last week. Just want you to have some color on what is sense of price do you feel going forward? Like the pricing pressure will end or it will still persist?

Sumit Deb: What does happen is the international prices have moderated, definitely sub hundred dollars. There we see some prices going down, but however the domestic sector is a little different. Demand is there, good demand for iron ore. So, we should, going forward, let us see how it pans out, but otherwise we see a good demand and prices being range bound.

Anuj Jain: So, we don't see any pressure on the prices going forward?

Sumit Deb: Not really at this point of time.

Anuj Jain: And one last question, what about this commissioning of steel plant? We said in the earlier con call that it will be from Q3. Are we in line with the same?

Sumit Deb: The plan for commissioning is in Q4.

Anuj Jain: Okay. Now it is in Q4 because earlier we have guided for Q3.

Sumit Deb: What we had said was December end, December- January.

Moderator: The next question is from the line of Siddharth Gupta from Voyager Capital, please go ahead.

Siddharth Gupta: Just carrying forward from the previous question, you did mention that the international pricing isn't really going to affect our outlook, but are we anticipating any change in the outlook we had planned for the year? You said there's no pricing pressure, but obviously because the price has fallen from 144 at the beginning of September to almost $90 now and second you'd mentioned that we on track to commission the plant and have the demerger within Q4 happen, but is there a plan for the strategic, are you aware of any plans for the strategic sales processing, parallelly or is it going to be after the demerger that EYs and everything would be gotten?

Sumit Deb: Currently, if you look at the international prices, like I mentioned that they have fallen, but otherwise, if you look at the domestic sector, like I said the demand is strong, so we should see some effect on that domestic prices also, but then we don't believe that there will be too much of a pressure on prices currently. As far as the steel plan goes, we are currently focusing on the demerger part of it. Obviously there is some, activity on the disinvestment, but then that is something for the government to decide, we are focusing on demerging the company at this point of time.

Siddharth Gupta: So, my understanding is that you do not anticipate any major effects your upcoming top-line in Q3, Q4 based only on the price fall, other factors aside.

Sumit Deb: Yes. With the currency scenario that's how it is.

Moderator: The next question is from the line of Amit Saoji from A V Saoji and Associates, please go ahead.

Amit Saoji: I would like to know, is there any dividend policy of the company which is applied for the dividend payment?

Amitava Mukherjee: There is dividend policy of the Government of India, which actually stipulates that PSU should pay at least 5% of its net worth or 30% of its PAT out, as dividend. But traditionally if you see our dividend payout, they have been remarkably higher from the minimum payout required. We have been in the range from 30% to 60% four, five years back, more than 100% of our PAT 4-5 years back We are always substantially above the minimum guidance of the government.

Amit Saoji: The second question is, regarding Nagarnara steel plant, what is the total CAPEX spent by us for that plant?

Amitava Mukherjee: It's about 18,600 crores as of now approximately.

Amit Saoji: And will be planning to commission in December end or January start?

Sumit Deb: Like I said in Q4 is what we're planning.

Moderator: The next question is from the line of Nishtha from Steel Mint. Please go ahead.

Nishtha: We have been hearing some of the import bookings of iron ore taking place to India. Just wanted to know will it impact to somehow the demand for domestic iron ore as well?

Sumit Deb: Yes. We are aware of some imports which is happening the small and medium sector, they have been importing some volumes, we are aware of that, but currently we don't see any effect of that on our volumes.

Moderator: The next question is from the Raashi Chopra from City Group Global Markets India Private Limited, please go ahead.

Raashi Chopra: What is the total CAPEX plan for this year and next?

Amitava Mukherjee: For this year, we are aiming, 3720 crores of which the 2,150 crores is for steel plant itself, and the rest is for the mining business mostly. For the next year, we are planning, around, 2,500 crores to 3,000 crores, it will depend on how the new sanctions that we have got how much we can bring it to the execution stage and the previous question that was asked 18,600 crores was up to last year, this year he has spent 400 crores on the steel plant, so the current cumulative CAPEX on the steel plant is around 19,000 crores.

Raashi Chopra: 400 crores is in the first half, right?

Amitava Mukherjee: Yes on the steel plant.

Raashi Chopra: That means for second half you will spend about 1700 to 1900?

Amitava Mukherjee: Actually the steel plant most of the CAPEX is related to commissioning and post commissioning payment. Almost entire expenditure relating to setting up the plant is complete. Now once the commissioning starts all these payments will get triggered. That is why we are hoping that, once the commission starts, we have new job commissioning, and post commissioning payments. So, that's how it is planned..

Raashi Chopra: Just a clarification on the royalty calculation, which includes the renewal royalty, roughly the number should be about 42% of the year ex mine price, by and large?

Amitava Mukherjee: No, it would be around 45-47%. Because, 22.5% would be calculated on a 1.2 rather than on 1. There is a disproportionate effect on that. If you take it to the base price, it will be significantly higher than 22.5% if you are calculating in that way.

Raashi Chopra: Sorry, 22.5, has to be calculated on what?

Amitava Mukherjee: If base price is 100, royalty etc. will be is 120 and this 22.5% is calculated on 120 and not hundred. It is calculated on 100 it will be around 43, 44%.

Raashi Chopra: Calculate on hundred you're saying?

Amitava Mukherjee: Yes, it is calculated on 100 only, so the total effect will be around 40%, 43-44%.

Raashi Chopra: This time the number seems to be materially higher than that, if I take it on the reported revenue it's coming to 42%, but you're reported revenue already would include the royalty, if I remove the royalty from your realization, the royalty has a percentage of the realisation is coming to almost 53%, a bit confused on that?

Amitava Mukherjee: It is coming around 2,700 crores on both royalty and other levies and addition premium it comes to around 2,750 crores, on the total income of around 13,500 crores, it will not be significantly higher. It's coming to 35% because, if you remember the Q1 call, we had a significant amount of sales from our closing stock which did not include the additional royalty, so that's why even our Q1 EBITDA was around 66%, because at that point of time significant portion of our sales came from the opening stock which did not include the additional premium. So, to that extent the math has little been schemed.

Moderator: The next question is from the line of Kirtan Mehta from BOB Capital Markets, please go ahead.

Kirtan Mehta: On the non-steel plant, you have spoken about the capital expenditure on slurry pipeline, then relocation of crusher plant and additionally a screener plant as well. Could you, again, run us through which are the contracts which are already awarded and which are the contracts, which are under advanced stages of negotiation and what is the total amount of awarded contracts versus the total amount of contracts under negotiation? Could you summarize that for us?

Amitava Mukherjee: Let's take slurry pipeline first, if you are talking in terms of the investments in the mining business. Slurry pipeline is a project of around 3,000 crores of which we have already awarded the contract worth 1,500 crores, they are under execution, including the laying of pipelines these are 1,000 crores and other packages of around 500 crores. So, 50% of them are under execution and two major, packages are 1,000 and 500 crores are in the advanced stage of tendering. So, that's the slurry pipeline. The second is the third screening plant at Kirandul which has expected CAPEX of around 2,100-2,200 crores of which the major package of 1,500 crores has already been awarded. And there was, another ancillary package 200-300 crores are under execution. These are the two major ones that are already going on. We have the, crushing plant, relocation of two crushing plants, each of them will cost is around 600 crores, so they are just been sanctioned and the tendering package is at the very initial stages, because specifications are being made as far as the Tokisud is concerned, there is not much CAPEX that is to be happening in Tokisud coal block and so far as Rohne coal block is concerned, we have got the allotment letter, but others DPR etc. are being prepared and we have to take a call whether we go to the MDO route, then the CAPEX would be realised and if we go through search mining, then we will need significant CAPEX, that call has not been taken as yet. Apart from that we have township project we are replacing lot of quarters in our mines, so that each of them would be around 200 crores, while we have in one we have already tendered, in the other we are in the process of tendering. So, these will see the company execution stage early next financial year. So, these are the major big ones, apart from that we have screening plants, two in reserves at Donimalai which is again at the clearance of stages, once we get that that is another 500 crores of project, for that various clearance environmental clearances etc. is awaited without which we cannot go into the tendering stage.

Moderator: The next question is from the line of Saket Kapoor from Kapoor and Company, please go ahead.

Saket Kapoor: Please give the figure of, what was the payout to the shareholder for last year, in terms of the buyback and the dividend, what was the absolute numbers for the last financial year?

Amitava Mukherjee: It was around 50% of our PAT including both. I'm giving you the absolute numbers, just give me one second. I'll give you the absolute number, but it was almost 58% of our PAT on both the routes. So, on one route it was 36 and on other route it was 30.

Saket Kapoor: I'll do the numbers, but just to take thesis behind it, if it's the same policy that should prevail, since the environment has further improved in terms of the incremental cash flow.

Amitava Mukherjee: I will not speculate on the dividend, these are the domains which are strictly…

Saket Kapoor: It is only an understanding on what the premise has been on DIPAM's role earlier. The same premise should be is in the continuity. This is what investors should take into account. That was my reason for asking the same. Coming to my second point was regarding this pellet part, as you have told that the pellet plant would be operational by this quarter itself. So, what would be the likely contribution from pellet for H2 since we did some losses, we did make, again losses of 50 crores for this quarter.

Amitava Mukherjee: Beg your pardon, pellets we have finally made 6 crores profit for H1 and as the capacity increases, we expect that to increase that. The problem that we were facing, which was, hindering the production is now getting over, by Q4 we should be able to run the plant in full capacity. We should be able to make around 100 crores out of that in Q4, if we are able to run this plant, 100 crores plus is the prices hold, depends on the prices but, we should be able to make 100 crores plus, if the plant runs at full swing in Q4. We are almost solved the technical problem, problem is there under various stages of testing and approving. Once that's done by Q4, so we expect that Q4 will be almost in full swing.

Saket Kapoor: Just to dwell it for this quarter, for the September, the revenue from the segment of pellet, minerals and services is 106 crores and PBT loss is around 50 crores. So, this is mainly attributed to the pellet part only or the other minerals and services are the ones.

Amitava Mukherjee: We have diamond when we make a loss of because that mine is not operating, so that is diamond we make at loss of around 30 crores a year and we have Paloncha which is again a nonoperational plant where we make annual of 10-12 crores, so that is another 3-4 crores of quarterly loss. Other business losses are contributed by the diamond business where the mines are unfortunately closed.

Saket Kapoor: This legacy loss will continue going forward also.

Amitava Mukherjee: Yes. We do not see visibility of diamond although we are pursuing it very strongly, but there are regulatory and forest clearances that are due without which we cannot wildlife approvals are required, so once when that comes only then will be able to start producing there.

Saket Kapoor: What is the tax rate we are paying for this year, if I look at the cash flow the total tax outgo is to the tune of 1.830 crores, so if you could explain, accounted for which year, previous year or..?

Amitava Mukherjee: You want basically the income tax outflow right?

Saket Kapoor: Yes.

Amitava Mukherjee: Average rate of tax would come to around 26-27% of PAT.

Moderator: We have the next question from the line of Ritesh Shah from Investec. Please go ahead with your questions.

Ritesh Shah: In one of the prior questions you indicated that there have been a few import shipments on iron ore. Just wanted to understand what is the reason behind this. Is there not adequate supply locally? What would be the motivation for a larger mill or even for a smaller guy to actually import the material when it's available for good quality and a better price locally?

Amitava Mukherjee: From whatever we have heard currently, these are some coast-based steel small iron plants who have imported some lump ore which are coming in from Kumba, South Africa. Apart from that, we don't see any other major imports currently.

Ritesh Shah: Second question. Can you just help us a refresher on the demerger timelines? Basically, earlier you had indicated the process and the timeline, if it could just help refresh that, that will be quite useful.

Sumit Deb: The overall timeline generally is around 6 to 8 months. That is what our consultants pay. We are almost halfway through because the first activity as you know is filing with stock exchanges our scheme, and receiving complaints from shareholders, if any, and then answering to them. So, we had filed it with BSC, NSE and PAC around two months back. Fortunately, none has been received, no objections or complaints have been received. And now we are awaiting SEBI's nod. Once we get SEBI's nod then then other processes kick in, that will be ask the Government of India, the MCA to allow us or to dispense with holding creditors meet and then holding the shareholders' meet, so that will take about a month at least because it requires 21 days' notice. And once that is done, then we go back to the stock exchanges and that should take another month. So, we have another three to four months of way ahead. We expect once SEBI approval comes in and which could be any time because it has been filed with SEBI sometime back. So, after SEBI approval it should take around 4-5 months. Considering that we are in November so anything between February end to April end we should be able to do the demerger process.

Moderator: The next question is from the line of Sagar Gandhi from Future Generali India Insurance Company. Please go ahead.

Sagar Gandhi: My question pertains to royalty. Last quarter you had some sales or offtake from the closing stocks. In this quarter there was no such thing. Cn we assume that royalty as a percentage of sales, what it was this quarter will remain in that range for subsequent quarters?

Sumit Deb: Yes, more or less.

Moderator: The next question is from the line of Ajay Jain from Makarand Finvest Private Limited. Please go ahead.

Ajay Jain: Just want to ask you, there was a little bit of extra expense this time. The sales were more or less the same, but the operating expenses went up. So, just wanted to understand why exactly that would have happened?

Sumit Deb: Quarter-to-quarter?

Ajay Jain: Yes, quarter-to-quarter.

Sumit Deb: Because of stock adjustments. If you see H1 to H1, I will just come to the expenses. Our operation expenses H1 to H1. Just a minute.

Ajay Jain: About 600 crores has gone up.

Sumit Deb: Yes, this is basically stock adjustment. If remove these stock adjustments, then the Q1 expenditure was 913 crores and Q2 expenditure is 1052 crores. But in Q1 we had a stock adjustment of Rs. 536 crores so that is why the net expenditure was Rs. 377 crores and Q2 the gross expenditure was 1052 crores, and we had a stock adjustment of 72 crores, so the operational expenses were being shown as 980 crores. And this is the only reason of around 600 crores was because of stock adjustment.

Ajay Jain: In the last conference call, in fact, you had given a proper timeline of the steel demerger. So, if you could just give a little bit of flavor. I'm sorry, you've already said it 2-3 times, but if you could just give a little bit of flavor in the next 3-4 months, you're saying it will be completed in 4-5 months, but in the next coming 1, 2, 3 months what would be the possible next hurdles that we could face or the next milestones that we have to complete?

Sumit Deb: Next milestone is obviously SEBI approval for which we have already requested SEBI. Now, we cannot speak on behalf of SEBI when the approval come through. But once it comes through, the next milestone is approaching the government for dispensing with our holding creditors meet and AGM to get the scheme approved. So, as you know because of notice of 21 days, etc., so I take that once SEBI approves in around 45 days' time, we will be able to hold the creditors meet and the AGM. Now once that is done, we then again approach the stock exchanges and SEBI that it has been done. And once we SEBI again approves that we go back to the government for the necessary notification, etc. So, that's the major milestones.

Moderator: The next question is from the line of Pinakin from JP Morgan. Please go ahead.

Pinakin: Maybe you would have answered this question earlier and apologies I am asking it again. We are running at around 8.5 to 9 million tonnes per quarter of iron ore production and broadly sales. Going forward for the next few years what kind of volumes do you see in terms of production and dispatches?

Sumit Deb: Currently we are doing around 9. 9 is what we did in Q2 and Q1, around that we have done. So, going forward definitely the H2 is much better traditionally than the H1. So, like I've mentioned, we should be doing around 44-45 million tonnes in this year. Andin the next year probably around 50 million tonnes is what we are targeting. These are the production targets which we have in our minds.

Pinakin: Just to labor this point slightly more, for the last four or five years, iron ore production for NMDC has been 32 to 35 million tonnes. So, when you go from 32 to 44 and 10 million tonnes incremental iron ore production, a lot of steel companies have started getting their own captive, ArcelorMittal in India JSW Steel and while we have had iron ore disruption from the state of Orissa, once it normalizes then how easy or difficult it would be for the company to place this additional volumes? Do you see that effectively as your customer start mining, ramping up their captive mines, domestic iron ore prices should come further under pressure?

Amitava Mukherjee: Currently with these levels of volume we are assured of an uptick, so we are secured in terms of the current production. So, we do not see any major disruption in these volumes. Up to this point of time, really up to 50 million tonnes, and then we have the option of going in for exports also. So, that's always there.

Pinakin: Lastly, just to understand on this 44 million tonnes, what will be your royalty? Just a clarification on the royalty point? What will be the percentage of volumes which will have the higher royalty on the 44 million tonnes?

Sumit Deb: Except for 7 million tonnes which has comes from Kumaraswamy, our mine which has not come under renewal as of now, so this financial year the additional royalty will be applicable to the entire product except 7 million tonnes which will come from Kumaraswamy.

Moderator: The next question is from the line of Abhijeet Bora from Sharekhan. Please go ahead.

Abhijeet Bora: In the initial remarks in one of the questions you mentioned that out of the total incremental blended realization improvement on a sequential basis, Rs. 100 per tonne is on the account of your improved grades and remaining from a better product mix. So, is this sustainable going forward? Like one should build that this will flow to EBITDA going forward also.

Sumit Deb: Yes. Last year we sold about 1.4 million tonnes of slime in a total production of 34 million tonnes. Now, if we do around 44-45 million tonnes this year, I don't think our client sales is going to at all increase more than that. That hopefully is going to be lower. So, naturally the product based on this average realization would be much higher that way because of product mix.

Moderator: The next question is from the line of Amit Saoji from A V Saoji & Associates. Please go ahead.

Amit Saoji: You have mentioned that the EBITDA margin is 47% for the Q2. Any guidance you can give? Can we maintain this margin for next half year also?

Amitava Mukherjee: Yes. If the prices sustain then it will be around this price only. It will depend on the prices being sustained which we hope and which we expect that these prices would sustain. And in such case the EBITDA would be around this because it's a fixed cost industry. There's not likely to be much increase in the cost of production, this even cost of production with increase of volumes. We do expect to be around this range.

Amit Saoji: As they have considered royalty impact also in this.

Amitava Mukherjee: Yes.

Moderator: The next question from the line of Monika Bajaj from Steel Mint. Please go ahead.

Monika Bajaj: I just wanted to ask that in the last con call you had mentioned that the coal mining operations would start in Jharkhand towards Q2-Q3. So, are we online with that or are there some changes?

Amitava Mukherjee: We have two mines there. We have been allocated two mines in Jharkhand. One is in Tokisud and the other is Rohne. So, Rohne the formal clearances are yet to come through. Tokisud is already there. The final clearance is awaited with the government of Jharkhand. We are expecting it to come very soon. Once that comes then our MGO is already in place. So, we'll be able to start quickly.

Monika Bajaj: So, we can expect by about Q3-Q4 that could be started?

Amitava Mukherjee: Wouldn't like to speculate but should happen.

Moderator: The next question is from the line of Saket Kapoor from Kapoor & Company. Please go ahead.

Saket Kapoor: Just a small clarification. If we look at the line item selling expenses including freight for the first half, the last year was around 245 crores. For this year it is 102. So, what explains this drop?

Sumit Deb: These are with no exports. See, we sell through our domestic customers ex-mines. So, the entire logistics cost to Railways and others is more by them. But in case of exports, I have to take it FOB by that. So, that Railway expenses used to be ours but since there is no export so there is a significant drop in selling expenses.

Saket Kapoor: Currently the iron ore index is hovering below a $100. Taking that into account, the import parity price for the country works at what level? We would like to know whether are still selling below the import parity prices, our benchmark?

Amitava Mukherjee: Currently, yes. However, let us see, going forward with the Chinese buying not there in the market so the prices are down. But however, going forward let us see how it works out. With the current price import parity prices our prices are at 15%-20% discount on the east coast.

Moderator: The next question is from the line of Noel from Ashika Stock Broking Limited. Please go ahead.

Noel: Actually, I don't know if this question has been answered, but I just wanted to know, when we said that the realizations have improved quarter-on-quarter due to better grade, so what exactly is the definition behind the improvement in the grades? Because previously you had mentioned that in the previous quarter the company was being penalized for missing the grade requirement. So, how exactly is that calculated?

Sumit Deb: When we said there is declared rate. So, if I sell it for 65% so there is a declared rate that I am selling this for 65% and the prices are set accordingly. Now, if actually the grade is 66%, I get a bonus. If it is 45% then a penalty is charged on me, and the customer saves rest. But if I sell a higher grade, when it comes out of the chemical testing that this is actually 66% then I charge the customer extra. So, that's called a bonus. So, this time significantly our production quality has been sustained very well. Our actual grade has been more than our declared grades at the time of sales so that is how about Rs. 100 per tonne there has been a realization.

Amitava Mukherjee: So, what happens really is that the effort is to improve sell a higher grade rather than (+) 60 grades. So, we are investing in machinery and other processes which improve our grades, doing waste mining to ensure that the mine phases are well exposed so that we have good grades.

Noel: So, just to understand this is mainly related to the ferrous content and not something like say high Sulphur or low Sulphur, it's mainly on the ferrous content, right?

Sumit Deb: Yes.

Moderator: The next question is from the line of Venkatesh Subramanian from Logictree Investment Advisers Private Limited. Please go ahead.

Venkatesh Subramanian: Just two quick ones, for FY23 you guided for a volume of, is it 15 million tonnes or 54 million tonnes, could clarify on that?

Amitava Mukherjee: Currently we are aiming at doing 50 million tonnes.

Venkatesh Subramanian: And secondly, could you throw some light on where do you expect the iron ore prices in India to prevail over the next year? Some sort of an idea based on your internal assessment.

Amitava Mukherjee: Can't really speculate on the prices. This being a commodity product and obviously the domestic prices are not linked to the international prices, but they do have an effect. Can't really speculate on the prices at this point of time.

Venkatesh Subramanian: But to maintain our current profitability, what is the level that would be good for us?

Amitava Mukherjee: As compared to last year?

Venkatesh Subramanian: No, the trends. Compared to the recent quarter, what would be the weighted average price that you would look forward to for next financial year to maintain the current level of profitability?

Amitava Mukherjee: The current level prices would more than sustain us to maintain our profitability.

Venkatesh Subramanian: Would you put a number to that?

Amitava Mukherjee: Current level of prices average is around including DMF annuity, etc., is around 6500 to 6700. That includes royalty, DMF, annuity.

Venkatesh Subramanian: All included 6700. Okay.

Amitava Mukherjee: And that's the average.

Venkatesh Subramanian: So, anything on top of 6700 that we get for next year is going to be an addition to the profits, basically.

Amitava Mukherjee: Yes.

Moderator: The next question is from the line of Kamlesh Bhagmar from Prabhudas Lilladher. Please go ahead.

Kamlesh Bhagmar: One question on the side of steel plant commissioning. We are guiding in Q4 for the commissioning, but I believe that still we have not fired even the coke plants. So, what is the timeline and what's the realistic timeline on the commissioning of the steel plant? Are we saying just a part of the plant getting commissioned or it's an integrated commissioning?

Amitava Mukherjee: Normally it's an integrated commissioning only, is what we would look at. And like we have mentioned, we are targeting Q4 for starting the plant.

Kamlesh Bhagmar: What's the status of various other plants like your coke owned battery or like say the other segments which we are planning to commission.

Amitava Mukherjee: So, what happens is the coco one is ready. Coco ones are ready for pushing. The heating has to start, we'll start the heating in a couple of days. Then the other packages, the blast furnace, the SMS they're all already and a slab caster, those mills are already quite at an advanced stage. So, we should be able to commission the plant.

Kamlesh Bhagmar: Secondly, on the side of discount to import parity prices at the east coast, 20% odd which we are telling. Earlier it used to be around 40% to 45%. What particular discount are we comfortable with? Because now the imports are again coming back, and some cargos have been booked. It's more of a practice to keep the pressure on the domestic prices. So, what level of discount we are comfortable with?

Amitava Mukherjee: Anything between 10% to 20% is comfortable with that.

Kamlesh Bhagmar: Lastly, as compared to the quarter average, I believe current realizations are down by roughly around Rs. 1000 odd per tonne. So, is this particular conclusion current on the pricing side or on the realizations side?

Amitava Mukherjee: I beg your pardon?

Kamlesh Bhagmar: Your current realizations are roughly around Rs. 1000-1200 lower compared to the quarter average.

Amitava Mukherjee: The previous quarter, is it?

Kamlesh Bhagmar: Yes, previous quarter.

Amitava Mukherjee: It's actually 600 but if you reduce the royalty, etc., on the basic price this is around Rs. 220 to 250. And I had explained that these are because of three reasons. One is of course that, we are selling better grades because of the bonuses that we have received as compared to Q1. Second, the contribution of slime in the total sales is less. And the third that in Karnataka Q1 auctions, the April-May auctions have been picked up in Q2. So, they had bought in April and May and the actual dispatch took place in July-August. So, that is the three reasons why approximately Rs. 250 on the basic price there has been an increase.

Kamlesh Bhagmar: I am not talking about the September I'm talking about the quarter as such.

Amitava Mukherjee: I am talking about the quarter only. Q2 average realization domestic was 7444 and Q1 it was 6813, so that's around Rs. 550. So, if you leave out the royalty and additional royalty component out of it, on a basic price to basic price, the average realization, I'll just tell you both the figures. Just give me one second. The Q1-to-Q1prices were...

Kamlesh Bhagmar: I am talking about the current realizations, current which we are getting in October and November.

Amitava Mukherjee: The current realization is slightly lower than the Q2 average.

Moderator: The next question is from the line of Vikash Singh from PhillipCapital. Please go ahead.

Vikash Singh: I wanted to understand your expected credit loss which has been getting accumulated with the Karnataka government. What is the amount as of now and any update on the next hearing?

Amitava Mukherjee: The amount is, the accumulated ACL that we are due to get from the moratory authorities are around 2600 crores as of now. But unfortunately, this will require a Supreme Court clearance to get this money from the moratory committee. And we are actually pursuing it with the Supreme Court. Unfortunately, we have not been able to get our date. As and when the matter is listed, I think in one hearing or two, we are optimistic that we should be able to get the Supreme Court clearance that is required to get this 2600 crores released from the moratory committee.

Vikash Singh: My second question pertains to our steel plant. Since the commissioning date is now just a quarter away, considering as long as we are not selling, how are we planning to operate it? I wanted to understand in terms of our target in terms of next year production, has the selling team and the other personnel are in place? What is our plans there in terms of our readiness in terms of if we have to operate? Since we have a little bit of less knowledge in this field at this point of time?

Amitava Mukherjee: So, what we have done is actually we have tied up with MECON. So, MECON is our consultant EPCM consultant, and they will go in for contracting people and hiring people and that's how we intend to run the operations in association with MECON.

Vikash Singh: At this point of time, the entire teams have not been finalized?

Amitava Mukherjee: MECON is going to do it, so they have already started the process. I think, they will be in place in the next couple of months.

Vikash Singh: Any update on the possible production next year?

Amitava Mukherjee: This will have to be ramped-up up to 66% initially and then after that we go into full production. So, can't really tell you the numbers or the volumes which will happen.

Moderator: The next question is from the line of Abhijit Mitra from ICICI Securities. Please go ahead.

Abhijit Mitra: I have a question on the royalty. If my understanding is right, post ex-fine price is 100, so royalty should be 42.5, so realization is 142.5 and then royalty is 42.5. So, your ideal case even when the entire Karnataka comes under this royalty system, should not be more than 30% realization, isn't it?

Sumit Deb: No, I think your understanding is not very correct on that unfortunately. Our declared price is 100 and then the royalty on that is around 15 and DMF NMET is another 2.5% so it comes to 20.2% or 21% depending on whether it is Karnataka. Now in Karnataka the DMF and NMET is not a pass-through item. It is paid from our pockets. And this 32.5% is also included in that Rs. 100, so that is also paid from the pocket. So, if I take the overall realization from the customer, which in Chhattisgarh would be around Rs. 120. So, it will be around 44%-45% of that Rs. 120.

Abhijit Mitra: But essentially the base price would reflect it, right? I mean, you will try to pass it on and then accordingly the base price will come down. Isn't that where the convergence…

Sumit Deb: When this was introduced in April, this 28th of March actually let's take it was effective from April 22.5%. So, we had taken 2 or 3 very significant prices hikes at that point of time which almost utilized the net effect on the parameters of NMDC but thereafter it has been a market determined price. Then thereafter the price movement would be depending on various market forces and not only this one. But in percentage terms around 43%-44% from the entire collection would go to the government as royalty DMF NMET and as additional premium royalty whatever you call it.

Moderator: The next question is from the line of Amit Saoji from A V Saoji & Associates. Please go ahead.

Amit Saoji: Do you have any idea, or can you throw any light on a possible impact of China pulling down steel production? So, can India fill up the gap or they can get more orders for that?

Amitava Mukherjee: Obviously now, since China is not exporting, so there is a gap and that's how we have seen exports going up from India currently. In any case it will entirely depend on the strategy, what China does at that point of time, because they are a significant player in this sector.

Amit Saoji: So, India is getting benefited out of that?

Amitava Mukherjee: Yes.

Moderator: The next question is from the line of Anmol Das from Systematix. Please go ahead.

Anmol Das: My question is on this demerged steel plant. So, are we going to have any exclusive contracts or resourcing of the raw materials regarding iron ore as well as the captive coal mines?

Amitava Mukherjee: Iron ore steel plant does not have any captive mines, so NMDC will supply the iron ore on an arms-length pricing basis. However, having said that we would enter into a long-term agreement with the steel plant for a quantity-based contracts. That's on the iron ore front. The other raw material will have to be purchased as do other steel plants.

Anmol Das: And we can expect this demerged business to be listed by end of Q4 on a broad base?

Amitava Mukherjee: Yes.

Moderator: The next question is from the line of Saket Kapoor from Kapoor & Company. Please go ahead.

Saket Kapoor: First point was, are there any talks of ban on export of steel scrap from Europe and what could be its impact on the iron ore market in particular? And secondly on this slurry pipeline commissioning, what is the timeline and what are the benefits that we are going to accrue over a period of time?

Amitava Mukherjee: I am not aware of any sort of ban on this European scrap, so won't be able to comment on that. The other thing is about this slurry pipeline, so, currently most of our material moves on rail on the KK line. Obviously, we are doubling that line so to increase our evacuation capacity, but the slurry pipeline which we are building from Kirandul to Vishakhapatnam, first phase is up to Nagarnar and then down to Vishakhapatnam, so this is a 15 million tonne per annum pipeline.

Saket Kapoor: The cost savings if you could quantify, what would be the savings annual post this commissioning and the timeline for the commissioning?

Amitava Mukherjee: The slurry pipeline is expected to be commissioned somewhere in FY24 the first phase of the slurry pipeline. The second phase obviously will take another couple of years more. The other thing is, obviously there is a huge amount of cost benefit while moving the material through a slurry vis-à-vis through a rail. A huge amount of difference.

Sumit Deb: Rail is around Rs. 700 per tonne to Vizag.

Amitava Mukherjee: So, Vizag from our Bailadila sector, the total freight by rail is somewhere around Rs. 1200 and by slurry pipeline takes hardly 200.

Moderator: The next question is from the line of Rohan Dongare, an individual investor. Please go ahead.

Rohan Dongare: I would like to ask that what are the measures taken by our company towards climate change? That being said, what are we giving back to the nature as we are extracting iron ore from ground.

Amitava Mukherjee: So, the company has embarked on this ESG thing, we are starting this ESG journey and working on sustainability goals also. Environment, we do a lot of activities in terms of afforestation. We have a mine closure plan in place. So, there's a huge amount of work which goes on in terms of our CSR activity also. So, environment is something which is on priority. If you look at our mines, each of our mines are 5 star rated mines where environment is a major factor. And we have been consistently receiving awards on the work which we do on the environment front. NMDC is actually one of those miners who have always invested in the environment and our stakeholders who are presently there with us in these regions.

Moderator: The next question is from the line of Sagar Gandhi from Future Generali India Insurance Company. Please go head.

Sagar Gandhi: You highlighted in earlier questions that Kumaraswamy mine 7 million tonne offtake will not be under the new royalty regime. So, from when this new royalty regime will kick in for Kumaraswamy mine?

Sumit Deb: Kumaraswamy mine is due for renewal in 2022 October. Once the renewal is made under this guidelines thereafter it will entail this additional royalty of that 7 million tonnes.

Sagar Gandhi: The current royalty as a percentage of sales which as on Q2 stands at 40% with Kumaraswamy also getting in this, it will go higher.

Sumit Deb: That's for the next financial year. That will affect only in the next FY.

Sagar Gandhi: Yes, in the next financial year, but that understanding is correct.

Sumit Deb: Yes, half of this financial year would be affected the other half will not be affected. So, if you see the full effect it will come from the subsequent FY, that is FY23.

Sagar Gandhi: And with this debottlenecking projects going through over the next 2-3 years, what will be the production capacity? You guided 44 million tonnes for this year and 50 next year. So, for 2024 and 2025 NMDCs production capacity will it go to 55-60 million tonnes per annum?

Amitava Mukherjee: Yes. Currently, there is recent environmental guidelines which are also there. So, we will be able to mine the EC capacity goes up by 20%. So, finally we aim to do around 70 million tonnes EC capacity. We want to reach that figure.

Sagar Gandhi: That should be by 2024-2025?

Amitava Mukherjee: 2025.

Moderator: Thank you. Ladies and gentlemen, this was the last question for today. I now hand the conference over to the management for their closing comments. Over to you, sir.

Amitava Mukherjee: Thank you. It has been a pleasure answering the questions. NMDC as usual we are determined to enhance our capacities and add value to the nation's cause of self-reliance. And to that extent, we are determined to ensure that our production capacities go up. And as usual you would have seen that Q2 we have done exceptionally well. These are figures which we have last achieved in 2012. So, quite an exceptional performance from our side and we aim to sustain these results. Thank you. Thank you.

Moderator: Thank you members of the management. Ladies and gentlemen, on behalf of ICICI Securities Limited that concludes this conference call. Thank you for joining us and you may now disconnect your lines.