

# नालको NALCO

एनबीसी/एस/4.5 एवं 4.5(ए)/2022/103  
दिनांक: 19.01.2022

NBC/S/4.5 & 4.5(A)/2022/103  
Date: 19.01.2022

To, प्रबंधक/The Manager बीएसई लिमिटेड/BSE Limited, फीरोज जीजीभोय टावर्स/ Phiroj Jeejeebhoy Towers, दलाल स्ट्रीट/Dalal Street, मुम्बई/MUMBAI- 400 001 स्क्रिप कोड/Scrp Code: 532234	To, प्रबंधक/The Manager अनुसूचन विभाग/Listing Department नेशनल स्टॉक एक्सचेंज ऑफ इंडिया लि., National Stock Exchange of India Ltd., एक्सचेंज प्लाजा, बांद्रा-कुर्ला कम्प्लेक्स, Exchange Plaza, Bandra-Kurla Complex, बांद्रा ईस्ट/Bandra East, मुम्बई/MUMBAI-400 051 प्रतीक/Symbol: NATIONALUM
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**Sub: Transcript of Investor Meet held on 12<sup>th</sup> January, 2022**

आदरणीय महोदय/Dear Sir,

Further to our letters dated 07.01.2022 and 13.01.2022, enclosed please find transcript of Investor Meet held on 12<sup>th</sup> January, 2022.

आपकी जानकारी और अभिलेख हेतु/This is for your information and record.

धन्यवाद/Thanking you,

भवदीय/Yours faithfully,  
कृते नेशनल एल्यूमिनियम कंपनी लिमिटेड  
For National Aluminium Co. Ltd.

  
19/01/2022

(एन.के. महान्ति)

(N.K. Mohanty)

समूह महाप्रबंधक एवं कंपनी सचिव और अनुपालन अधिकारी  
GGM & Company Secretary and Compliance Officer

Encl.: As above/संलग्न

नेशनल एल्यूमिनियम कम्पनी लिमिटेड  
(भारत सरकार का उद्यम)  
निगम कार्यालय  
नालको भवन, नयापल्ली, भुवनेश्वर -751 013 भारत

National Aluminium Company Limited  
(A Government of India Enterprise)  
REGD. & CORPORATE OFFICE  
Nalco Bhawan, Nayapalli, Bhubaneswar-751013, India

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<b>Subject:</b>	<b>Investor /Analyst meet with CMD, NALCO</b>
<b>Date &amp; Mode of meet:</b>	<b>12.01.2022 - Online</b>
<b>Participating investors /representative</b>	From Phillip capital- Mr Vikas (Moderator) Mr. Dhawal Doshi, Portfolio Manager at Pinpoint Asset Management Mr. Gopal Nawandhar - SBI Life Insurance Co. Ltd Mr. Raj Gandhi, SBI mutual fund

### **Opening remarks by Shri Sridhar Patra, CMD, NALCO**

Good Evening to all!

- a) Pray before the Almighty to shower choicest blessings on all of us for a healthy and happy life ahead and this pandemic should be endemic. Before I interact on questions, I will just brief about the company's performance. If you see the current year financial performance, Q2 is better than Q1, and Q3 results will be published, which I am confident will also be encouraging. During this year, a lot of events have occurred. Today of course, after this meeting is over, we will be operationalizing the 960<sup>th</sup> pot. In our smelter, there are four pot lines of 240 pots each and the highest number of pot operations was 944 in the past. . A total of 960 out of 960 has never been put into operation. But today by putting the 960th pot into operation, we will be creating history in 41 years of company's operation.
- b) The ongoing Lean Slurry Project, which was incomplete for last 10 to 11 years has now been completed and made operational. Earlier, the transportation of fly ash was being done through rail-cum-road mode, and subsequently only through rail wagons. This lean slurry project will be used for transporting the fly ash for filling-up of coal mines void, thereby giving a cost saving and price advantages.
- c) To reap the market benefits, efforts are being made for maximizing the production. NALCO so far, has not achieved an annual metal production of 4,60,000 tonnes. This year we are hopeful to produce and achieve the target of 4,60,000 tonnes.
- d) With reference to Pottangi Bauxite Mines, I would like to inform that the Gram Sabhas (Public Hearing) have successfully been completed in nine villages, and the Stage-I forest clearance is under process. For Utkal-D, the Mine Developer and Operator (MDO) tender is almost on the verge of finalisation. We shall be inviting the tender and awarding the contract and we are quite confident that it will be operational within the given timeline of 2023-24. The captive coal mining will certainly add to profit and give coal security.
- e) During the last 9-10 months, there has been coal shortage across the country. To overcome crisis, we have made tie-up to buy power at an affordable rate and this has enabled us in keeping our production intact and will ultimately lead to achieve the metal production target of 4, 60,000 tonnes.
- f) So definitely these are the indicators, how the company is going ahead. During this last one year, almost orders for Rs.2,600 - Rs.2,700 crore have been placed with reference to expansion of the Refinery Project. So all activities have been expedited despite the pandemic.

Happy to share that we all Nalconians, Nalco collective, have accepted this challenge in line with our company tagline: 'Ordinary People with Extraordinary Attitude'. Despite the pandemic fear, we were continuing with uninterrupted production. Sailing against all odds, NALCO has demonstrated



performance in terms of physical production and financial parameters and I must say these positive indicators are very encouraging for everyone. This is a fact on record. So these are the key performance indicators.

And apart from that, I will tell one thing – that the investors who have reposed confidence on NALCO's performance and the management, to watch the demand and share price of Nalco and its trend, this also indicates about the performance of the company.

Of course, LME is the greater factor which influences the metal index and influences share price of all the sectors playing in the industry.

Favourable LME coupled with various other factors also increases the confidence of the investors on the management. And we are committed to maximize the shareholders' wealth and to ensure that effective management gives effective results. Over a period of 41 years, NALCO has never sustained losses. Even when LME was \$1,450, a reduction of price by almost \$700 - \$800 from \$2200, still then the company earned profit.

So consistent efforts are being made in line with the primary intention and the purpose for which the company was conceived - to ensure raw material security to the secondary manufacturers. Basically prior to NALCO, we were importing primary metal from overseas markets.

So as 'Atma Nirbhar Bharat' these efforts were made to produce primary metal and to give it to secondary industries. Other aluminium producers basically believing in downstream retailing, just to earn profit. But as a Public Sector, the intention is to have economic growth across the value chain and provide the raw material security to all the secondary producers who buy from NALCO.

We have a robust MoU system, a very transparent pricing system and the customers believe in us. So with this, I can vouch and say that the investment, what you have made with confidence, what you reposed, will definitely go a long way and you will never be disappointed. So beyond this, if you have any questions, I can interact and I will try to put forth the views of the management.

**Q. You did mention 4.60 lakh tonnes of Aluminium production, what would that be as far as Alumina is concerned?** (Investor: Dhawal Doshi)

A.: Almost 3.25 to 3.5 tonnes of Bauxite is required for one tonne of Alumina. This depends on the extent of bauxite mining and this is normal for any mining industry. We consider the requirement of an average, 3.5 tonnes of bauxite for 1 tonne of Alumina. Our nameplate capacity is 21 lakh tonnes and to achieve this, we are processing higher quantum of bauxite. As per IBM guideline, earlier up to 4% silica content in bauxite was processed but now it is mandatory to process bauxite up to 7% silica content. Even to achieve these 21 lakh tonnes of Alumina, earlier the requirement of bauxite was 68 lakh and now it is almost 74 lakh. So we are processing higher quantities and we are determined to achieve more than our 21 lakh nameplate capacity.

**Q. Does this imply that the overall cost of production for alumina has gone up substantially because, the overall volumes for bauxite have gone up and secondly, because of higher Silica content, the caustic consumption, would have also gone up substantially?**

A: This is common for all, because IBM guidelines are mandatory for all the industries who are into this business. But when we are processing higher content of Silica, then basically out of 100 the Silica is 7, the metal content and other impurities will be there. So higher quantum of bauxite handling requires higher consumption of caustic soda. It is undoubtedly a fact.

**Q. What has been the increase in the cost of production for Alumina then?**

A: Cost of production is price-sensitive information. As we are a listed company, I will not offer any comment with reference to cost of production or profitability.

**Q. With regards to the alumina sales we used to have contracts for alumina and certain element in the spot market. What would that current ratio be?**

A: There is no fixed ratio, how much you will sell in the spot market, or how much you will sell in the contract market. It is an opportunity we see, whether spot will be favourable or contract will be favourable. I will give a small example. As per CRU prediction for nine months i.e April to December 21, the average realization of Alumina across the globe is \$340. But for NALCO within the same period, the average realization is \$399. So the strategy, that we have adopted, has remunerated and we will continue to have our focus on our marketing strategy to whether to go for spot or for a contract. The management will ensure to achieve the maximum as far as possible from the market.

**Q. Do you mean to say we no longer enter into annual contracts, for alumina sales, the way we used to do it earlier?**

A: Alumina contract, very rarely we make for one year. Otherwise the term contract is basically for three months or six months. But in case of an increasing trend, doing a yearly contract will not be remunerative. When it is an increasing trend, the spot is giving a better price or a short term contract is normally preferable.

**Q. Can you elaborate on the cost-saving measures and are they good enough to offset the cost pressures coming in from higher alumina costing?**

A: Two things: If the price is more, NALCO is getting the cost, what NALCO gives- it is a part of the price realization. So it is a management decision we are taking and if it is to be processed, it is to be processed considering the government regulatory guideline.

**Q. Are the cost-saving measures good enough to offset the increase in Alumina cost of production?**

A: I was talking about metal. Metals were transported mostly by road and partially by rail. But focus has been given to transport the entire metal consignments as far as possible by rail mode. So the cost of road transport and rail transport is definitely substantially differentiated.

We are considering on outsourcing certain non-key areas/activities. People who joined the company in the 80's, are superannuating or about to retire and there is considerable retirement of around 300-400 people per year. So we are now giving focus on outsourcing, which will be also a cost saving measure. The coal crisis, could have affected the production, but we managed it by purchasing power at an affordable rate. Continuing with uninterrupted production and by achieving the production target, the unit cost of production will get reduced. Moreover, we are also considering various other aspects to maximize the contribution margin.

**Q. What was the overall coal shortage that we faced in the third quarter? And, did we continue to buy some amount of power in the third quarter as we did in the second quarter?**

A: It continued in the third quarter and it may continue in the fourth quarter till coal supply across the country is restored to normalcy. We are continuing the power purchase at an affordable rate as a preventive measure, which is marginally higher than the cost of production. We want assured returns



because the predicted and expected market prices during this Q4 will prevail above \$2500-\$2600. So beyond \$2,500, whatever your sales realisation, it is a bonus price for these sectors. So we are taking a decision and with some anticipation of the price to earn profit.

**Q. The coal situation has seemed to have eased out with deliveries from Coal India going much, much higher. Has the supplies to the Aluminium sector still not been resolved or restored to normalcy?**

A: Till now, preference is given 99% to the IPP.

**Q. With regards to the coal blocks, we have been allocated the coal block since quite some time and the original plan was to get it commissioned by FY 21- 22 and now by FY 24. What kind of volumes are we looking at in FY 24?**

A: Any coal mines or any mines basically, it has a development period incorporating long term planning for future needs. On an average about 18 to 20 months' time is required for its development. We are quite hopeful, that the production after development will start in a phased manner. The first year it will be 0.5 then 1.5 and in a period of four years, it will reach the peak rated capacity of 4 million tonnes.

**Q. How are we seeing the power sourcing? What is the capacity which we have internally and how much we are buying from market? (Investor: Gopal Nawandhar)**

A: At present, Power sourcing if you see for running 960 pots, almost requires around 900 megawatt. So far to achieve the 900MW, we are getting only 200 megawatt from outside sources and the rest we are generating from our own captive power plant.

**Q. Is the power sourcing issue because of the coal supply?**

A: Yes, because we have our own Merry-Go-round, so we are getting some coal. Apart from the Merry-Go-round, we also used to get coal through railway rakes. Railway rakes preference is now given to the IPP. For that reason we depend on outside sources for the 200 MW. But, I am quite hopeful that the situation will improve shortly. And now since the priority has been given to the power sectors for last few days, so they must have built some stock of coal, so it will ease out.

**Q. Can you elaborate on the Alumina capacity expansion plan, the CAPEX and the project commissioning timelines?**

A: The capacity is 1 million tonne, and the investment approval has been accorded for about Rs.6,400 crore. The commissioning is expected by the 3<sup>rd</sup> Quarter of 2023- 24.

**Q. What is the strategy of NALCO on carbon reduction?**

A: We have a plan for 0.5 million tonnes smelter expansion, brown field expansion and we are exploring the sources other than fossil fuel power. Recently GAIL had given a presentation on hydrogen-based power plant. So we are quite hopeful if it is materialized, then it will give a big boost to the Aluminium producers.

**Q. We are exporting, the material Alumina and there is another Indian company who is importing it. Is there any way out to selling the domestic market to other companies or still no concrete decisions have been take on that?**



A: We allow the customers to participate and we are importing the equipment, it is an imported technology. We are importing the equipment under the EPCG scheme. We have export obligations we are allowing, and the competitors have also participated in one, two tenders. Whoever is the highest bidder, we sell to them. So there is no restriction and we do not want to have any preferential sale at a lower rate to anybody.

**Q. We are generating very healthy cash flows. Can you elaborate on the uses of cash? Whether there are any buybacks or large dividends?**

A: As per the Companies Act, once buyback is made within a year, no further buyback can be made. Our last buyback was in March 21. So till this March 22, I don't feel the law permits for buyback.

**Q. Is the company open to both the options of buyback and dividend?**

A: As such, there is no plan with reference to this.

**Q. What is the current status and how much has been spent on caustic soda, JV? Also, What the overall update on the Pottangi bauxite mines?**

A: In reference to the caustic soda, the Company as a backward integration, has made a JV company with GACL and 1 lakh tonne of caustic soda will be procured from the JV company and it will be a raw material security purpose. And the procurement will be made as per the market driven rate because we require almost 2 lakh tonnes of caustic soda per year. After expansion, it will be 3 lakhs. But at present it's around 2 lakh and 1 lakh it is proposed to procure from a JV company, as per the market discovered rate of our tenders for what we procure from the outside market. Due to this COVID pandemic, there are some problems in its progress. Originally, it was scheduled by September-October. Now it is expected by February, what the information we have gathered from the JV Company. And, after commissioning in February, means for full-fledged operation it will take almost a month or two because of teething problems. So we are quite hopeful that next financial year it will be in operational mode and they will be in a position to supply caustic soda as per our JV agreement.

So far as Pottangi Bauxite mines is concerned as I said in my opening remarks, I clarified that the Gram Sabha of the 9 tribal villages have been completed. Forest Right certificate has been issued and stage one forest clearance is under process. After Stage-I forest clearance is granted, compliance will be made for obtaining Stage-II . We are quite hopeful, that Stage-I clearance will be obtained within this financial year.

**Q. Can you throw light on the fact that the expenditure is down sharply for FY 21? There is some savings of 300 crore versus past, despite higher Aluminium production. (Investor: Raj Gandhi)**

A: That is basically the renewable purchase power obligations as per Government of India directives. Earlier it was almost 11%, but it was settled at 3%. So it is a restatement of the liability, which was provided based on 11%.

**Q. How much was a reversal on the past numbers?**

A: 292 crores almost.

**Q. What is the FY 22-23 CAPEX number? How much do we intend to spend in FY 22-23?**

A: FY 22-23 CAPEX is around 1800 crores.

**Q. Is that a combined or total amount?**

A: Yes, total.

**Q. The dividend payout fell sharply, from 75-80% to 30% in FY 21. Is there any guidance there because of the CAPEX? How should it be seen?**

A: As per DIPAM guidelines, dividend is to be paid minimum 5% of the net worth or 30% of the profit, whichever is higher. In 2019-2020, the profit was 138 crore, but still then, we paid 5% of net worth being the higher amount of the dividend. And this is also a price sensitive information. So I do not want to offer anything regarding the current year dividend matters.

**Anchor:** Thank you, sir. Thank you for giving us the opportunity on behalf Phillip Capital, I'd like to thank your team.

CMD: And I wish you a healthy & happy life ahead. Thank You.

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A handwritten signature in black ink, appearing to be 'Pw' with a horizontal line extending to the left.