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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

G20 भारत 2023 INDIA

Azadi Ka Amrit Mahotsav

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BSE Limited Phiroze Jeejeebhoy Towers Dalal Street, Mumbai – 400001	National Stock Exchange of India Limited Exchange Plaza, C- 1,Block G, Bandra-Kurla Complex, Bandra (East), Mumbai – 400051
Calcutta Stock Exchange Limited 7, Lyons Range, Murgighata, Dalhousie, Kolkata, West Bengal 700001	

Dear Sir / Madam,

Sub: Transcript of NMDC Limited post Q1 FY24 – Analyst / Investors Conference Call held on 17th August 2023.

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 Q1 FY24 Analyst / Investors Conference Call held on 17th August 2023. The same is also being uploaded on the website of the Company.

This is for your information and records.

Thanking you,

Yours faithfully,
for NMDC Limited

AKELLA SRI PARDHA SARADHI

Digitally signed by AKELLA SRI PARDHA SARADHI
DN: c=IN, o=Personal, postalCode=500013, st=Telangana, serialNumber=2193E7BFC19F2AA57C7A4FC9EC0D8541B0D616CF3069307E193EC28508FF4BCF, cn=AKELLA SRI PARDHA SARADHI
Date: 2023.08.23 16:06:37 +05'30'

A.S. Pardha Saradhi
Executive Director &
Company Secretary

Encl: As above.

“NMDC Limited
Q1 FY2024 Conference Call”

August 17, 2023

ANALYST: **MR. AMIT DIXIT – ICICI SECURITIES LIMITED**

MANAGEMENT: **MR. AMITAVA MUKHERJEE – CHAIRMAN & MANAGING DIRECTOR (ADDITIONAL CHARGE) & DIRECTOR (FINANCE) – NMDC LIMITED**

Moderator: Ladies and gentlemen, good day and welcome to the Q1 FY2024 Earnings Conference Call of NMDC hosted by ICICI Securities. 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. Amit Dixit from ICICI Securities. Thank you and to you Mr. Dixit!

Amit Dixit: Thanks Michelle and good morning everyone. On behalf of ICICI Securities I welcome all of you for NMDC Q1 FY2024 earnings call. At the outset I would like to thank the management for giving us an opportunity to host this call. We will begin this call with brief opening remarks from the management post which we will open for interactive Q&A. Thanks and over to you Sir!

Amitava Mukherjee: Good morning everybody. So thank you for connecting and this has been the best quarter Q1 ever since inception for NMDC and not only Q1 it has been the best Q1, Q2, Q3 aside the Q4 which is of course always the star quarter if you leave out that quarter so this has been the best ever quarter except in Q4. Good thing is that April, May and June they individually have also been the best both in terms of production and sales since inception so that is a remarkable achievement that we have been able to log and this absolutely dovetails with our annual plan of anything between 47 to 49 and God willing even up to 50, so to that extent as per the annual plan we are on the right track. The most harping aspect is that this time our sales has been till July about a million tonne over our production that is nearly heartening, that gives us great leverage and also as the production goes up our cost of production per tonne comes down and despite the margin pressure that we have as you know that we have taken price adjustment a couple of days back so despite those small hiccups in prices because of the increase in volume and a consequential reduction in prices, cost per tonne I am confident that we will be able to maintain our overall EBITDA margin of 41% on an annual basis, so overall what has been has been good and what we are looking at is also very encouraging, so I think we can now sort of have a firm footing where we can make this quantum leap to a 100 billion tonne in the next five to six years for which our plans are right now. Some of them are already being executed and some of them are at driving mode stage and we hope that we would be able to do that by 2030. We already have a new NMDC logo for NMDC 2.0. It speaks about our commitment, it speaks about our aspirations, it speaks about our pride past, and so going forward we are very hopeful and very, very optimistic of the future, so thank you. You can ask the questions now.

Moderator: Thank you very much Sir. We will now begin the question and answer session. The first question is from the line of Alok Deora from Motilal Oswal. Please go ahead Sir.

Alok Deora: Sir just wanted to understand this price which we give including royalty, DMF and NMET so if we just want to calculate it as against the previous prices, which you used to give excluding that then what would be the typical differential between that, so just if you could indicate how much is the difference now for these three items?

Amitava Mukherjee: The normal loading is around 21% because of the royalty issue but that is not the only thing while going for integrated pricing internally we have seen the correlation that is there between our prices and the IBM prices generally 0.996 in Chhattisgarh and 0.992 in Karnataka so we have had a recession and we have checked out so we have had a factor of neutralizing that as well so it will not be a straight-to-straight. The last time we declared in July so it is not a straight sort of 21% loading so it was an internal mechanism that we sort of where we hedged our risk for the first time against the IBM prices that could be fluctuating so after hedging then we declared our prices so if you ask a straight correlation I do not think it will be arrived at but it will be around 21-22% around that percentage and going forward after three months when things settle down I think that would come to around 21.4% but you cannot have a one-to-one correlation.

Alok Deora: Sure any update on this NMDC steel plant any update on that?

Amitava Mukherjee: Yes we have commissioned the blast furnace.

Alok Deora: I think a few days back only.

Amitava Mukherjee: On 12th we highlighted it, now hot metal is coming out and I think in another two to three days hopefully the silica will come down to less than 1% and then we can take it to the SMS and then roll it, so I am looking at somewhere around anything between 20th and 23rd so that this plant will be fully commissioned because we have already produced about 3000 tonnes per day right now the output will go up and this silica will slightly come down. We have already started the pig casting machine so it is taking that, it is on online after the commissioning of the blast furnace. Another seven days I think we should be done and dusted.

Alok Deora: Yes sure. I was asking actually from the time any this disinvestment any update on that?

Amitava Mukherjee: So that type of process is being run by DIPAM so as you know that the EOI had been called for and this is a state-of-the-art plant so obviously there is a lot of interest. Exact numbers I cannot say whether it is five or eight people have applied but I have told that a lot of. We are not privy to the names who have participated but there has been more than adequate interest in that so which is very obvious because it is a state-of-the-art plant and absolutely the modern plant so naturally there has been more than adequate interest. Now that the commissioning will be done I understand that the pace will pick up because a lot of things where people were looking at the commissioning to happen first so now that is done I think the pace will pick up but it is not being run by us it is being run by DIPAM that you have to understand.

Alok Deora: Got it just last question, so just some status update on the capex plans which we have been undertaking what is the status on that, is it progressing as per the plan or any changes?

Amitava Mukherjee: As you know that we did including Nagarnar last year around 35 to 3600 Crores, this year excluding Nagarnar although we are targeting at around 1600 to 1700 Crores but I think we should be doing around 2000 Crores, so now we have got major project sanction so going forward I think the normal would be at around if I am to go to 100 million tonne in the next five to six years then the total investments per year has to be more 5000 to 6000 Crores, when we get all our projects sanctioned somewhere in the vicinity of 7 to 8000 Crores going forward three years from now, once we get all the projects sanctioned. Our existing projects for the next two years should be I think more than 2500.

Alok Deora: Sure. That is all from my side. Thank you and all the best Sir.

Moderator: We will move on to the next question which is from the line of Pallav Agarwal from Antique Stock Broking Limited. Please go ahead.

Pallav Agarwal: Just wanted to know on any updates on the coal blocks so when are we planning to commission, what production targets are there?

Amitava Mukherjee: As you know that there are two that we have. One is Tokisud the other is Rohne. Tokisud we are in the land acquisition phase of course, now we are going for both this coal blocks under the coal bearing area acquisition which is CBA Act. We have applied to the Ministry of Coal for the relevant notifications and that would expedite. Hopefully as you know in Tokisud we have already appointed an MDO, so once the clearances are there it should take about a year end somewhere around early next financial year or in the closing stages of this financial year we hope to do some mining in Tokisud. Rohne is of course more than a year away. Rohne would take us somewhere around FY2025 mid or somewhere around that but that is the bigger problem. The main thing is now that we need the notifications of the CBA Act.

Pallav Agarwal: Sure Sir, also Sir any update on the SPV amount that 50% balance that we were to receive so is it possible to receive that in this FY2024?

Amitava Mukherjee: We have petitioned to the topmost Court so we are waiting for a decision. We are confident that it will come in our favor but of course we cannot set our timeline. I hope that we will get it this financial year. I hope that we will win.

Pallav Agarwal: Currently whatever we are selling in Karnataka are we paying that 20% or we are paying only 10% right now?

Amitava Mukherjee: It is only 10%. We won that case so it is only 10% now. They refunded us around 990 odd Crores.

Pallav Agarwal: Last thing Sir. We got this clearance to expand the mining capacity at Karnataka so will we see some incremental volume?

Amitava Mukherjee: Yes we hope to operationalize that. You see we have got the environmental clearance we have got it for 10 million tonne, now one more clearance from the Monetary Committee is required because Karnataka itself is fully capped so that cap needs to be readjusted from that 35 million tonne or 40 million tonne cap of that area and that has to be redistributed only that is left, so hopefully if we get it soon our target to operationalize that is around October 1, 2023 the additional and if that comes through I think we should be getting at least two out of the three and that is why our current guidance as I said in my opening remark is around 47 to 49 and hopefully 50. It all depends on how soon we can operationalize these things.

Pallav Agarwal: Right Sir. Thank you so much.

Moderator: Thank you. We will take the next question from the line of Sumangal Nevatia from Kotak Securities. Please go ahead Sir.

Sumangal Nevatia: Good morning Sir and thank you for the opportunity. First question is Sir your comment on capex is not very clear to me so this year you are saying 2000 Crores is roughly the ballpark we are looking at and based on existing projects which are already approved per year 2000 Crores is a number to kind of work with for future years also?

Amitava Mukherjee: Next year I think we should be doing much more than that. I think 2500 would be minimum next year if not more. We are trying to literally drive the capex because we believe that going to a 300 million tonne not only the existing projects needs to be completed fast but a lot more needs to be sanctioned, so capex is something that we will really have to look at and this year I think we will do 2000, although our budgeted target is around 1600 only the official number is 1600.

Sumangal Nevatia: How much did we spend in 1Q?

Amitava Mukherjee: Capex till date is already we have touched around 606 Crores for NMDC up to August. Q1 figure I will have to actually go back and see how much capex I have done, but up to August 600 Crores we have already reached and I remember around 40% of the capex comes from the Q4 only so we are in line to do around that number. Q1 of course I will have to revert back. I think it was 351 in Q1 but by now we have reached 606 by August 15, 2023.

Sumangal Nevatia: Understood. Sir second on the volume growth if you see 2018 to 2023 we have been quite rangebound 36-38 million tonnes so one is when you are kind of expecting around 10 million tonne addition this year, I just want to understand what would be the breakup, how much are we expecting to supply to Nagarnar and if you could share what is the estimated breakup of this 10 million tonne from Karnataka and Chhattisgarh?

Amitava Mukherjee: Karnataka as I was telling in the previous question we have got the EC for additional 3 million tonne so this year if we operationalize in October maybe more than 2 million tonne should additionally come. On the production side we also have 2 million tonne capacity upgradation project in Bacheli in Chhattisgarh so that is going to be another 2 million tonne there. That is going to be commissioned in September end definitely October so we are going to get 1.5 million tonne from there also and then hopefully by January we will be starting 365 days working. Right now we have weekly offs so we are getting additional equipment and manpower to ensure that we have 365 days working so that should be giving us quite a volume there and a couple of mines in Chhattisgarh which are doing two shifts, we are planning the third shift there and we are increasing material and men and we will do the third shift out there as well. So taken all this I think it depends on how early we can operationalize all these four so that is why we are keeping a guidance from 47 to 49 or maybe hopefully 50 this year and next year it will be more than 50.

Sumangal Nevatia: For this additional 3 million tonne and 2 million tonne upgradation in Chhattisgarh and 3 million tonne capacity in Karnataka do we have both the screening plant equipment in place for additional capacity and is evacuation not a constraint?

Amitava Mukherjee: We have the plants. In fact Bacheli it is screening plant upgradation that we are talking about so we have the mining capacity but we had limited screening capacity so that is a debottlenecking which should give us 2 million tonne.

Sumangal Nevatia: When you say about increasing one shift and working 365 days was it new this year or was it also happening in the Jan-March period in FY2023?

Amitava Mukherjee: It was not happening. In fact it will not happen immediately also. The earliest we can target this is January because I need men and material for that, men and equipment for that so they are not available off the shelf so we have ordered the equipment, once they get delivered by the time we will recruit the people also but hopefully we have set ourselves the target of January if we can do it earlier we will be gaining, if we do it later we lose. Chhattisgarh was operating six days a week and one day of maintenance.

Sumangal Nevatia: How much are we supplying to Nagarnar, what is the estimate for this year and say next year?

Amitava Mukherjee: Nagarnar would consume at peak around 4.5-5 million tonnes.

Sumangal Nevatia: This is entirely from our existing mines right?

Amitava Mukherjee: Yes all four mines.

Sumangal Nevatia: Got it and just one last question. The news reports that we are eyeing partners to tap gold mining in Australia and also some early exploration work in India if you can just share what exactly is happening in Australia, what is our interest stake there?

Amitava Mukherjee: Australia we have a legacy and we are going to do the gold mining in about a month's time, a month-and-a-half we will start our own gold mine there. All the approvals are there except for one which is expected by this month end, once we get that we will take about a month to tie-up the further logistics and start mining around end of September for sure that will be our own gold mine and we can use the proceeds to go into further exploration. Regarding the other things we have a very big tenement there around 17400 hectares which was jointly owned by NMDC and Hancock. So now we have a third partner which is the Atlas there. Atlas as you know is the sixth biggest mining company in the world, so we have tied up with them for the magnetite exploration which is at the **(inaudible) 22:32** almost the final stages of the PFS. The initial results are very encouraging. If that satisfies it can go up 15 million tonne magnetite, iron ore mine in the next five to six years and also that tenement has some potential for lithium and other minerals so again the tie-up is with Hancock so that we can explore those minerals also.

Sumangal Nevatia: Sir Legacy has been a loss making entity since years so what sort of profitability is we expecting with this gold mining start is there any visibility on your earnings metrics as well?

Amitava Mukherjee: Initially we do not accept it to have bumper profits. The first mine that we are doing is essentially not a very big mine but whatever we earn from there I think we expect to earn around $15 to $20 million. What we expect to do there with that is to plow that back to the another four to five adjoining tenements that we have for gold which is very promising and see the results there. If the results are encouraging then we can go in for a big time gold mining and that would be at scale. This is more of sort of experimental in the thing that we have not mined in Australia. We want some firsthand experience. We are not looking at the money part right now. We are looking at enough so that we can plow it back to invest in other gold tenements that we have and also to gain experience, so the next phase would be the one that will be the one and scale. This is small amount.

Sumangal Nevatia: Got it. Thank you so much Sir and all the best.

Moderator: We will take the next question from the line of Vikas Singh from Phillip Capital. Please go ahead.

Vikas Singh: This is Vikas Singh from Phillip Capital. I just wanted to understand our realizations which has increased on a sequential basis, but on a monthly basis we have started to cut down prices from April onwards so just wanted to understand how much of lag we are expecting or is there any mix change which would have resulted in a better than expected realization?

Amitava Mukherjee: The mix change yielding to better realization I think we are sometime far from that right now we need the infrastructure to do the blending, etc., etc. Yes I believe you are talking about iron ore prices right?

Vikas Singh: Yes Sir.

Amitava Mukherjee: There have been severe pressures on the prices as you know since this entire financial year hardly we have not been able to take any price increase. In fact we have had to sort of reduce it quite a few times including the one a couple of days back where we had to make a marginal adjustment but I hope we have bottomed up and the prices would go up. The good thing is that since the volumes have gone up and this is a fixed cost industry so your cost per tonne has come down so that really compensates for the loss of pricing leverage. So to that extent yes the margins we will be able to sustain but hopefully let us see what happens after the monsoon, if the demand picks up and as of now there is no visibility of something great happening on the price front so I think we will just have to survive this pricing pressure as of now and that is what we are doing.

Vikas Singh: Sir actually I was just referring to our 1Q price increase over 4Q levels while our average realization was on a continuous declining trend since April so just wanted to understand the reason for that particular?

Amitava Mukherjee: Q1 prices it was just marginal. I think around March we had taken some price increase at that point of time so thereafter it has been completely down south because the Q4 prices were around 4663 and Q1 prices average domestic realization was 4850, it was only a marginal increase of 4%. We tried to sustain that in April and thereafter we could not because of the market dynamics so even after Q4 it has not been very encouraging to us.

Vikas Singh: I will take that one Sir. Sir my second question pertains to our evacuation plans of railway doubling as well as this study pipeline if you could update us the stage of completion they have right now?

Amitava Mukherjee: Out of the 50 kilometers of railway line upgradation I think more than 100 kilometers has already been done commissioned and trains are running there. The last stretch which is around 25-30 kilometer stretch is being under construction. We are told that phase wise by end of this financial year they will be able to deliver but the problem is not of line capacity as of now the problem is availability of wagons. Even before doubling the capacity was 28 million tonne and now the capacity is around 40 million tonne so it is not a capacity constraint it is nonavailability of wagons that is the problem because we are producing around 30 million tonne from Bailadila approximately, 7-8 million tonne goes through the conveyor of ArcelorMittal, 2 million tonne goes through road. Our rail transportation is only 20 million tonne but if the rakes are available then we can really upscale our dispatches through rail so it is not a capacity constraint issue in terms of line capacity, it is more of availability of trains and rakes that is the issue. Railway has been helping us a lot. In Q4 we did an average of 18-19 rakes which we need to do annually rather than 13-14 rakes that we get now.

Vikas Singh: Understood Sir. Sir in terms of NMDC steel what are our FY2024 and 2025 production targets?

Amitava Mukherjee: This year we will have the entire H2 to us for production, so we should be touching about a million tonne in the H2. We have a constraint of nonavailability of live and donor because the plant has not yet come up really and despite we using purchase live and donor for making steel we should be able to do about a million tonne this year. Our plant would be full capacity next year because these are modern plants you really do not need too much of a problem in ramping the production once the availability of input.

Vikas Singh: Understood Sir. Sir just last question what is our net cash balance as on 1Q end?

Amitava Mukherjee: At the end of Q1 I think it was around 1700 I will just have to refer to that particular figure. I think it would be there in the presentation. Q1 we are net cash balance of 11279 Crores.

Vikas Singh: That is all from my side Sir. Thank you and all the best for future.

Moderator: Thank you. We will take the next question from the line of Kamlesh Bagmar from Lotus Asset Managers. Please go ahead.

Kamlesh Bagmar: Thanks for the opportunity Sir. With regard this Legacy operations or Legacy mines like it has been in our belt for last 10-12 years and we have not been even able to like extract iron ore from there and even for this lithium mining?

Amitava Mukherjee: What iron ore?

Kamlesh Bagmar: Yes I am talking about the Australian operation or Australian subsidiary so like around 10-12 years and we have not been able to mine even the iron ore there and apart from that like for this lithium as well we would be left with around 29% odd stake after this arrangement which have been done with Hancock so like what potential could be there in terms of earnings because we would be hardly left with now around 29% odd stake which we used to have around like 80% odd earlier prior to this deal so if this entire prospecting and all those activities go on so how many years would it take like say five, seven years and after that what commercial arrangements would be there, like would it be around all trading operations how that would proceed if the feasibility studies are in positive format?

Amitava Mukherjee: Right number one first you must understand the Legacy is essentially an exploration company it is a junior mining company so its main business was exploration and naturally as you know in mining in all explorations do not lead to success so the success rate is rather low specially most of its exploration was in terms of deep seated minerals where the success rate is as good as going to a casino and winning a jackpot, it is not quite different so to have expectation of mining from a junior mining company straightaway or a definitive mining plan I think that expectation is something wrong because that is not the way the Legacy was working. It is good that we were successful in one of the tenements to get gold and we just got lucky there and we have a few more tenements which are promising so far as gold is concerned. Now so far as the big tenement of Mount Bevan is concerned where we have entered into agreement with Hancock you must realize that Legacy did not own 100% of that, Legacy used to own 60% of that and 40% was owned by another company called Hawthorn which were the original owners of that, so we were only owning 60 of that now we are actually getting down to 30% of that and it is a sweetheart deal in the sense we have zero risk, so we are not spending, the PFS is costing around more than 200 million right and we are not spending a dime on that. In fact we got around $10 million to sign that agreement so we are not funding a dime on that and we get 30%, of course if the iron ore is then we get 30% of that so subject to of course our willingness to invest up to that level so it is a sweetheart deal we do not have any downside and all the possible upsides so similarly since we are doing the lithium exploration in the same tenement so the terms and conditions of the lithium exploration is also very, very similar and both of these are sweetheart deals and in the lithium exploration we have another clause that we have 75% off-take rights so that is adding sugar to the sweetener so that is a real sweetheart deal so nothing could be better so far as Legacy is concerned from that deal. Yes even if the iron ore PFS comes out to be successful operationalizing that mind should take at least four to five years that is how the Australian mines, all the approvals, construction so we are looking around five years from that and of course if lithium is found the PFS itself is going to take around 18 months and if the PFS is good then we will take another three years to sort of come to mining season but it all depends upon what the PFS results are.

Kamlesh Bagmar: Thanks for the very explanatory answer and on the gold mines there also we have 60% odd economic interest?

Amitava Mukherjee: No gold mines are 100% owned by us. All the tenements are 100% owned by us except this big tenement which we which we call Mount Bevan we had 60% ownership and with the other company Hawthorn had 40% ownership and we could not invest in that A because Hawthorn would have got a free ride so there was no dilution clause in that agreement which was under 10 years back so I could not invest and if I had invested unilaterally they would have got a free ride so now that the investment is being done by third party which is very, very reputed it has a huge 55 million tonne, 60 million tonne size in Australia so they are the real big brother to be within the Australian mining area. It is a sweetheart deal that we got.

Kamlesh Bagmar: Five odd years away from now.

Amitava Mukherjee: Yes the initial PFS technical results are all fine in the iron ore. They are all very, very encouraging the initial PFS results but we will have to wait for the entire thing about what run about logistics and all those things are being worked out so we are keeping our fingers crossed but we are optimistic and we cannot have definitive sort of say right now.

Kamlesh Bagmar: Lastly on lithium reserves in India anything you are hearing from the government?

Amitava Mukherjee: No we have not been offered. Obviously we are not going to bid. I do not think we are going to be because we do not have adequate return. We do not plan to bid on a deep-seated meeting, if it is offered to us on a reservation we will take a look at that at that point of time.

Kamlesh Bagmar: Great Sir thanks a lot.

Moderator: Thank you. We will take the next question from the line of Satinder Singh Bedi from Eon Investments. Please go ahead.

Satinder Singh Bedi: So congratulations on great production and sales numbers for the quarter. Sir you have given a long-term forecast of 100 million tonne over the next five to seven years so what are the indicative kind of figures for FY2024, 2025, 2026 because we have a greater handle on that I guess at this point in time?

Amitava Mukherjee: We have an EC of 54. This year if anything it will be 47-49 and if we can prepone our things that we said so it could reach 50 but that is something more aspirational than doable 47-49 should be for this year. Next year of course definitely we will cross 50 because by that time would have operationalized all four of these things we will definitely go above 50. We will try and touch our EC capacity of 54 so that would be our plan so we are working on that.

Satinder Singh Bedi: The current projects that are under execution at this point of time what do they take our capacity to the slurry pipeline beneficial plant, screening plants and so on so forth?

Amitava Mukherjee: You have to look at the project in two different, one is the dispatch and marketing and sales related projects which is slurry pipeline and all the things and one is the reproduction related project which is the screening plants, etc., etc., so the screening plant in Kirandul for example is 12 million tonne. The one that we have trended out last week at Karnataka is 7 million tonne upgradable to 10. We have just tendered it out last week right and the downhill conveyor that we are tendering in the next week would be the downhill conveyor and the crushing system at Kirandul 14C etc., is another 10 million tonne so these are the ballpark things so from the production side again we need to get these done. The other mines also need to upgrade and we need to make this investment in the next two, three years so that we reach at least 60 billion tonne from Bailadila itself. The current is around 30 million tonne so we will try to reach around 50 plus and by that time NMDC CMDC should also come that is Deposit-4 and Deposit-13. Deposit-4 would be operational next year. Deposit-13 might take a little bit longer so we have should have another 7 to 8 million tonne from NMDC CMDC Limited. Now you come to the dispatch side, of course as you know that we are upgrading the railway line from 28 million tonne capacity to 40 million tonne capacity and what the railways are doing in fact it will be effectively 55-60 million tonne capacity evacuation through rail itself and I am not told that the number of wagons that the railways have ordered the availability of wagon in the Q4 and going forward in the other financial should not be a problem so we have a fair bit of evacuation capacity out there and around 15 million tonne of slurry pipeline we are already building so that is our evacuation plans from there. We will have to take a serious look at the Karnataka dispatch also, once the upgradation plans are through so we need to take a call on that.

Satinder Singh Bedi: Any progress on your export of iron ore plan?

Amitava Mukherjee: Not as of now. We are exploring that market. As of now at this current prices our domestic on a netback method our domestic realization is more than our export realization because of as you know the 30% export duty that is there but yes going forward and there is more than adequate domestic demand for our products but we must keep that export window open because if tomorrow there is a slight slack in demand or the prices go down and people start importing then we need to sort of just keep ourselves float when you are ramping up to 50 and from 50 to 70, 70 to 90 and to 100 so unless you keep that window open it would be a major challenge so we have decided that we should be off the blocks as soon as possible, have some tie-up, keep the window and the market open so that people interact with confidence but that is more of a sort of a long-term plan for which certain short-term things need to be done so that is what we are doing.

Satinder Singh Bedi: Since the single largest cost head is actually the additional royalty and the various fee exists so is amplification of the same would help so earlier we used to pay an additional royalty of 22.5% out of our basic price now there is no basic price per se, now we have a list price which includes the royalty of 15% with DMC and the annuity fee so how does it change?

Amitava Mukherjee: Do not worry it does not change. You have seen the map. Even if you see the IBM prices we had including all right. We have just aligned our prices to the IBM prices so when our basic prices were let us say Rs.4000 rupees the IBM prices were Rs.6000, not Rs.6000 it was around rupees it was around Rs.5000 okay including all those levies, so IBM used to declare 5000 and we had a basic price of 4000. We have now just aligned our prices with the IBM method of calculation which was being done by all the merchant miners except us, OMC was doing it, all the private parties were doing it expect we are not doing it, so we just aligned the method but our liability for 22.4% will remain on the netback method so they will deduct the royalties, you cannot have 22.5% on royalty again, so it will be taxation on taxation so that cannot be done. That liability towards additional royalty of 22.5%will remain on the netback method so there is not going to be any change in that. (*)

(*) The above highlighted point in red color may kindly be read as below:

NMDC was paying Additional royalty @ 22.50% on IBM prices since its applicability w.e.f. 28.03.2021 and not on NMDC's Basic Price. So, even after change in pricing structure from Basic to All-inclusive, NMDC will continue to pay Additional Royalty on IBM prices.

Satinder Singh Bedi: Understood Sir. Sir to help us model the potential revenue so if 100 were our list price now as per our new pricing mechanism then what will be the royalty component out of that so if 100 is our list price now what would be the royalty?

Amitava Mukherjee: 100 is equal to let us say 121.4 approximately.

Satinder Singh Bedi: Our realization will be 77.5?

Amitava Mukherjee: You divide 100 by 121 by 4 and then multiply that but there is other correlation factor that we had factored in for the July pricing just to insulate us from the vagaries of IBM pricing so it will not be a straight calculation. Yes out of 100 I think it should come around 78% or 78.9% or something like that.

Satinder Singh Bedi: So what we are saying is that effectively if sale price is 121.5 excluding the forest permits and transit fee and the environmental cess then our next realization will be 78 of the amount out of 121.4 is that a fair understanding?

Amitava Mukherjee: Out of 121.2 it will be 100, if you take that 100 then this will be around that figure but I need to do some calculation on that.

Satinder Singh Bedi: No sir the additional royalty will have to be still paid because 121..

Amitava Mukherjee: Additional royalty is a part of my cost it is not a pass-through item.

Satinder Singh Bedi: Yes but net of our royalties in our line item so net of royalties we will realize a net 77.5, 78?

Amitava Mukherjee: Yes around that part.

Satinder Singh Bedi: Thank you Sir. I will come back in the queue.

Moderator: Thank you. We will take the next question from the line of Mohammed Farooq from Pearl Investments. Please go ahead.

Mohammed Farooq: Thank you for the opportunity and over the past three years I have been consistently participating in NMDC conference call where we have been presented with range of positive news including achievements like record production level, ambitious target of 50 million tonne this year and in five years 100 million tonne, substantial investment in capex plan and venturing to gold mine, lithium production, substantial cash reserves, new logos and solar power generator, so many things, despite all the positive factors there appears to be a lack of investor confidence in the management, the market often seems unresponsive to the positive news for instance during the export ban investors lost 50% but when the export ban was lifted we saw only 5% jump could you please shed light on how NMDC management is addressing these conceived low investor confidence?

Amitava Mukherjee: We of course put all our achievements and all our observations in the public domain very regularly I interact, so I do not think it is a investor confidence or rather as you say lack of investor confidence is due to lack of communication from the corporate. I think we are a very transparent company, our numbers are there and information of our future plans, etc., is there obviously but I think that most of the PSU stocks are taken as a dividend yield stock rather than a capital appreciation stock. My personal perception is that where you have a portfolio of around 40-50 stocks you will sort of categorize them into some of them will give you a standard dividend yield, some of them where you expect a capital appreciation and fortunately or unfortunately we fall under the sort of a dividend yield category of investment. I think that is my perception because we are government-owned and some amount of our dividend yield is one of the highest in the country and in the world all around, so I think the investors are more sort of looking at us as more of steady income rather than capital appreciation stock, of course whatever I see from the different analysts like lot of people who are attending today's call they have all been very kind to sort of always keep us in the pi category rather than the older cell category. As a company even if you see our performance parameters internationally if you compare us with Vale, Rio Tinto, BHP and FMG we have the lowest C1 cost. Our risk ratings are much lower than Vale or many of the international or Indian companies including Vedanta and we have a much lower risk rating. Our parameters other things like GHG or you take any parameters as a company.

Mohammed Farooq: Your cash reserves are 33% at your market cap currently 11000 Crores.

Amitava Mukherjee: A lot of it goes to dividend, around 3000 to 4000 dividend but now we are ramping up capex in another two years we would be substantial investing in capex because without investment in capex quantum capex you cannot hope to reach 100 million tonne so some of them are already taken.

Mohammed Farooq: My next question is in the previous conference I highlighted about the NMDC's top clients like RINL, JSW, ArcelorMittal, and KOCL and given that any reduction in purchase by one of these clients could substantially impact NMDC operation. The reason is with JSW purchase is being 50% below expectation in July has severely impacted on production and sales of NMDC. It was unexpected for NMDC to witness 50% drop in purchases of JSW within a month. Now the good news is you have export EOI with the global export market accounting for more than a billion tonne I am curious to know if NMDC has a specific monthly target perhaps a range of a million tonne or whether the company is more aligned on buyers demand to determine the export target?

Amitava Mukherjee: That is a good question. Let me take the part one statement first. Yes you know that 70% of our sales go to three major buyers which is a business risk right by any standards we are aware of that and accordingly our plans is to diversify our customer base so the first step has already been taken we have our intermediate stockyard at Kumarmaranga and going forward we need many more such intermediate stockyards from where we can cater to markets like Raigarh, like western Odisha and other places, 40 million tonne production and sale and 100 million tonne production and sale are two different ball games altogether. In terms of your marketing philosophy and everything it is a major paradigm shift so we are aware that we need to increase our customer base and accordingly we are making out plans to sort of increase our customer base and one of that is having intermediate stock and blending yards so it will take three to four years to come of course. Yes the mega buyers that we have three of them account for 70% of our sales so naturally there is dependence of them right now which we need to get out of. Regarding export yes as you know that as of now the numbers do not make sense because your netback in realization in domestic is greater than the netback and realization in exports because in exports we have to pay 30% duty, you have to pay the freight and you have to pay the royalty, all are on your account right so if you calculate the netback economically it does not make sense to export today but as I was saying to the previous caller’s question that we need to keep that window open for the volume sake so even if I were to do around a 10% less realization in export I should have that window open to give me the volumes that I need to do, so as a result having a monthly target today would not make business sense but going forward when we really ramp up our production and we are through to the distribution sector yes then as a business since striving for net lower realization does not make too much of a business sense but we need to keep that to our window open for strategic reasons and as a result having a million tonne or half a million tonne export target for a month-to-month basis as of now would not make great business sense but yes going forward it does when we ramp up the production, also to sustain the domestic prices there.

Mohammed Farooq: Could you please update on the latest in export EOI you have done like a month back?

Amitava Mukherjee: Export EOI is done a month back. I really have not followed it up to much because that is more of an exploratory nature so I will have to get back to you on that one.

Mohammed Farooq: So what is the projected Q2 target for production and sales?

Amitava Mukherjee: This year the dispatches will be very substantial because we had a lot of stock and we have been able to service our customers very well so July we have done more than that. Q2 last year I think we did around 7 million tonnes in production. I think this year we have already done by July I think two points something so I think we should be doing around 8 million tonne in Q2. I think last year instead of 7 I think we should be able to do 8 and in terms of dispatch last year Q2 was around 8.5 million tonne I think we should be slightly increasing that. It should be marginally above that as well.

Moderator: Thank you for your reply Sir. Sir the participant has left the queue. Ladies and gentlemen due to time constraint that was the last question. I would now like to hand the conference over to Mr. Amit Dixit for closing comments. Over to you Mr. Dixit!

Amit Dixit: Thanks Amitava Sir for very patiently answering all the questions. On behalf of ICICI Securities I would like to thank all the participants present in the call. I would like to turn over to Amitava Sir for the final comments. Over to you!

Amitava Mukherjee: Thank you Amit. It has been a nice quarter for us but going forward I think we will have to build up on this momentum and we are not probably looking at the next few quarters but we are looking at the next few years where a quantum leap needs to be taken and we are preparing ourselves for that both in terms of investment physically and as well as in terms of corporate culture and all infrastructure, so we hope to see NMDC 2.0 in a completely more efficient, agile and a much, much bigger scale that we are at present. We are capable of doing that and I think we owe it to the nation and the investors and the industry to realize our potential and I think going forward you will see a completely different NMDC. We are proud of our past achievements but then we intend to do in the next five years what we have done in the last 60 so that is the challenge to squeeze in 60 years of achievement and experience into next five years of performance so that is what we are preparing for. Thank you so much.

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