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NMDC

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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 Q2 FY24 – Analyst / Investors Conference Call held on 17th November 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 Q2 FY24 Analyst / Investors Conference Call held on 17th November 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=2193E7BFC19F2AA57C7A4FC9EC0D8541B0D616CF3069307E193EC2850BFF4BCF, cn=AKELLA SRI PARDHA SARADHI
Date: 2023.11.20 14:23:29 +05'30'

A.S. Pardha Saradhi
Executive Director &
Company Secretary

Encl: As above.

“NMDC
Q2 FY2024 Earnings Conference Call”

November 17, 2023

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

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

Moderator: Ladies and gentlemen, good day and welcome to the NMDC Q2 FY2024 Earnings Conference Call 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 this 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 **0:40 inaudible**. Good afternoon everyone. Thanks for joining the call today. At the outset, I would like to thank the management for giving us an opportunity to host this call. From the management, we have today Mr. Amitava Mukherjee, Chairman cum Managing Director, Additional Charge & Director of Finance. Without much adieu, I would invite Mr. Mukherjee for opening remarks covering the complete performance and outlook post which we will open the floor for an interactive Q&A session. Over to you, Sir.

Amitava Mukherjee: Good afternoon. Thanks for joining. Well this Q2 and H1 has been the best ever so that is a big positive that we have. Our production as you know was 25% higher than last year. Sales were around 14% higher than Q2 of last year and these were the best ever. Even H1 every month of this year right up to October except for one month, we have done the best production and sales so we have got the momentum going for that target of 50 million tonnes. We hope to achieve around 50. There are two or three big projects that are going to start anytime now within a week's time. One at Bacheli which will augment our production capacity by 2 million tonnes and the final clearance for the Kumaraswamy mine in Karnataka for about an additional 2.2 million tonne will also be available hopefully within a week or 10 days. We expect to flog these two new facilities as well so that we can reach our stated target of 50 million tonne. On the capex front also we have been doing pretty well. We are way ahead of our target. We are around 40% higher than last year what we had done up to this time and around 80% higher than our proportionate target for the year. We will definitely cross the capex target of Rs.1600 Crores that we had set ourselves in the beginning of the year. Definitely we are going to cross that so overall the momentum is there and we hope to achieve unprecedented results in the H2 as well. So we can now take questions.

Moderator: Thank you very much Sir. We will now begin the question and answer session. The first question is from the line of Kamlesh Jain from Lotus Asset Managers Limited. Please go ahead Sir.

Kamlesh Jain: Thanks for the opportunity. Sir just one question on the part of the realizations like if we see our realizations even if we see the current prices they are at a discount of roughly around Rs.5,500 compared to the import variety price and the prices have moved significantly over the last three odd months but our prices have not changed since last month and over the years we have never seen such a big discount like say around 45% or 47% of discount so what is happening on the pricing front? Even if we see the Karnataka we have not done the auctions of the mines for the last one and a half to two months and I do not know what is the realizations there but the way our revenues are there it seems that realizations of Karnataka are far higher discount as compared to other markets like say for Bacheli or Chhattisgarh?

Amitava Mukherjee: Yes the pricing front of course we are slightly higher than last year. Our realization in Q2 is around Rs.4,146 per tonne which is around 7% higher than the year on our year basis and in H1 also we have grown by 8% in sales. It is around Rs.4928 per tonne. Obviously traditionally even at East Coast as compared to the export prices the general discount has been around 40% to 45% and that is how it works out but even at these prices we have worked out that if we factor in 30% of export duty and then the port charges and other things our domestic realization would be higher than net back of the export realization because you know that so far as we are concerned that for export we also have to pay the transportation up to Vizag which is almost $20 in dollar terms so when we see the net realization at the mine had net of taxes and duties. Even at this level our domestic realization is more than the export realization and that is why there is no as such economic case for an export but yes there is a strategic case for exports and then we are looking at it to what sort of strategic case should be there for future so we need to enter the market and have some presence for future not immediately because immediately in terms of a pure math it does not work out right now. I make more money net of taxes, net of transportation, and net of duties through domestic sales rather than through export sales. Apparently it looks like a 45% discount but still when you factor in all these deductibles, domestic sales is a preferred policy purely on economics. Yes the prices in Karnataka have been traditionally lower than that of the Bailadila sector A because of the quality. Obviously the Bailadila quality is completely different and much better than the Karnataka case that is there and Karnataka does not have access to markets beyond Karnataka to that extent so we have to be a sort of a local player. Yes we have just checked our IBM prices there are slightly higher than us. In Chhattisgarh of course our IBM prices are exactly the same but in Karnataka it is slightly higher so which gives us some amount of headroom there. We will take a look at it and take a call sooner than later.

Kamlesh Jain: Right but based on your answer to the question it seems that you are just focused on the export net debt but like it is not the case like because over the years we are paying like roughly around 22.5% additional royalty? Why we are not leveraging that because if say any importer is there or like say any steel company importing iron ore why do not you think on that part like how much their cost would be if they import there?

Amitava Mukherjee: I have told you about landed cost basis only. Obviously on landed cost basis you know the duty structure on high grade iron ore export it is 30%. On import it is 2.5% so naturally even at 45% discount for us to sell outside we will be taking a hit on our bottom line but for a steel maker yes still that is why they are still buying from us because still it is cheaper and it has always been the case and that is why there is hardly any import into India because of the duty structure that is there and it has been there for years now. 30% export duty and 2.5% import duty. It is obviously not very viable for us to export but when the prices go down it becomes viable for a steelmaker to import and it has happened previously we know that, 2018-2019 it has happened and again I think 2019-2020 it has happened.

Kamlesh Jain: Great Sir. Thanks a lot.

Moderator: Thank you. The next question is from the line of Alok Deora from Motilal Oswal Financial Services Limited. Please go ahead.

Alok Deora: Sir good afternoon. Just had couple of questions? The first on the target of production for this year, in the last call we mentioned about around 47 to 49? Are we sticking to that number or any any updates on that and also there were certain capacity which was expected to get operational by September and what is the status on that at Bacheli?

Amitava Mukherjee: That is what I said in my introductory. We are still sticking to 47 to 49. If you know that H1 we have done around 20 million tonnes in H1 and right now I think we are at around 24 million tonnes mark, approximately at 24 million tonne mark so we are on our way. If you see the H2 production last year, if you even do 10% better than that then we should reach around 46 to 47 and two major projects as I was mentioning in the introductory that one is the fifth line at Bacheli which is likely to add up 2 million tonne to our production so that is complete. We are waiting for the CTE, load testing has been done and I think we will go on stream hopefully in the next four to five days so all the testing, etc., has been done so it is a two million tonne annual capacity. Hopefully in the half year we will be able to do more than one million turn out of that. We are trying to target 1 to 1.5 million tonne out of that so that will be an incremental on that and then Kumaraswamy mine as you know that we have got all the approvals. One final approval is due so we hope to get that within a week to 10 days so then Kumaraswamy also we can ramp up. The contracts are all in place so that is another two million tonne in fact 2.3 million tonne additional so that is 4.3 million tonne of additional so in the H2 even if we can do about 2.5 to 3 out of that 4.3 so I think we should be able to reach 49 to 50 around. We must just touching 50 or just a little lower than that so 47 to 49 still holds good so far as we are concerned.

Alok Deora: Got it Sir and Sir you mentioned about the capex? There has been a sharp jump in the first half? What is the capex we have done in the first half Sir?

Amitava Mukherjee: The capex till date we have done around Rs.1,000 Crores, Rs.1008 Crores or something till date against annual target of Rs.1600 Crores so we are definitely going to exceed that. We should be somewhere around I think Rs.1800 Rs. Crores to Rs.2,000 Crores range this year.

Alok Deora: Got it. Sir just one last question so just wanted to get a update on this NMDC Steel this divestment status because recently there were comments that it is not going to get divested so your update from your side on that?

Amitava Mukherjee: As of now we do not have a clear visibility on that issue so in fact we should be referring that to Deepam. There were I know that several multiple offers have come but thereafter because of the election in Chhattisgarh and other things I guess further progress has not been made but yes the draft SPA was also discussed with us and from our side we have given the go ahead. Whatever was asked from us we have already done but the exact what is the situation now I am unable to comment.

Alok Deora: Got it. Thank you so much Sir. All the best.

Moderator: Thank you. The next question is from the line of Ashish Kejriwal from Nuvama Wealth Management. Please go ahead.

Ashish Kejriwal: Good afternoon everyone. Thanks for the opportunity. Sir two questions from my side? One if I am looking at realization for this quarter we observed that that realization has been somewhat subdued more subdued? Y-o-Y basis lump prices have declined by 2% while fines prices have increased by 11% so my question was is there any adverse product mix this quarter within lumps and fines or is there anything else which are missing in terms of realization?

Amitava Mukherjee: No in terms of overall as compared to Q2 of last year yes it has increased but as compared to Q1 of last year it has decreased in terms of the immediate previous quarter. Of course overall it has decreased and now if you see the Bailadila sector and the Donimalai sector they of course behave differently. Of course the trend is the same but from Q1 it has slightly decreased not much by around 10% but as compared to Q2 of last year that is the year-on-year figure, we have had a reasonable amount of increase. Yes there was pricing pressures earlier but I think we have taken I think one or two price hikes recently. The last being on October 1, 2023 so now we will again take a call on what the pricing looks like.

Ashish Kejriwal: Sir my question was that fines prices were higher but lumps prices were under pressure so are we witnessing any shift in the product mix within lumps or is the grade remains the same?

Amitava Mukherjee: The grade remains the same. The lumps prices are still higher than the fines but yes the demand of fines has looked up much better than the demand of lumps in terms of and that is why the head room maybe for fines might be slightly better than the lumps. I think there is a tremendous demand for fines right now and I think we can have a look at the pricing pretty soon now.

Ashish Kejriwal: Sure so that means that if I am looking at OMC's recent auction as well as global prices and keeping in fine that domestic steel or sponge iron prices are almost flattish type then there is a room for further price increase if the demand is good in at least in fines if not in lumps is that understanding right?

Amitava Mukherjee: Let us see how does it translate into a pricing opportunity. That needs to be seen because there are multiple factors to be factored in. The steel prices are a dampener. The demand is a good trigger but the steel prices are dampener but the international prices are again a good trigger so we will factor in all these things. Of course the pricing does take into account multiple variables and we will take a call hopefully in the next two to three days how the pricing should be.

Ashish Kejriwal: Okay secondly Sir we talked about Kumaraswamy mine but that is a 3 million tonne mine? I think you mentioned 2.2 to 2.3 million tonne ?

Amitava Mukherjee: This is a 7 million tonne mine. We have requested for an EC of another plus three but EC we have got plus three but within Karnataka as you know that there is a ceiling that has to be redistributed and what we are getting as of now is around 2.3 million tonne of extra mining permission.

Ashish Kejriwal: Okay so we will have a capacity of 10 in Kumaraswamy but as of now permission will be up to 9.3?

Amitava Mukherjee: Yes. It is 9.28 or something. There is a fraction involved there so let us take it 9.3 approximately.

Ashish Kejriwal: Sir is it possible to give status on your different four projects which are ongoing? One is your screening plant three year at Kirandul? I think you mentioned about 2 million tonnes for that only or something else?

Amitava Mukherjee: No that is the fifth screening line in Bacheli which is ready for commissioning.

Ashish Kejriwal: Okay so that will help us in increasing volume by 2 million tonnes?

Amitava Mukherjee: By 2 million tonnes.

Ashish Kejriwal: Okay so Sir different status of this like screening plant three at Kirandul?

Amitava Mukherjee: Screening plant three the rapid wagon loading system is being commissioned. I think it will be commissioned after 17th. 17th is today so there is an election in Chhattisgarh. Thereafter one CP is consent to operate permission is required so hopefully we will get it in the next seven to eight days and we will start the rapid wagon loading system so the siding that was loading two rakes a day will now load four to five rakes a day so that part of SP3 project will be operational. The stacking yard will be operational by February or May but we have had a problem there in the other area in the sense that due to the monsoons one of the gathering walls there has been a problem with the gathering wall which we had constructed so that is going to sort of delay the project by a couple of months so instead of 2024 mid which we were expecting to commission the plant I think we should be able to commission the SP3 rather by around 2025 that should spill over to 2025 because of the various challenges that we are facing at the site but half of the facilities we will be able to commission by end of financial year which will substantially increase our evacuation. I think our evacuation will increase by 2 to 3 million tonne after the RWLS that will be commissioned by this month end definitely and also after the stacking yard is commissioned by the end of this financial year. The next big project is of course this slurry pipeline. All the contracts have been given. All the contracts are there. The pipeline laying is going on. I think out of 113 km around 70 plus km we have already done the stringing and laying and another 35 km I think the pipelines are being ordered so that is on track. Now the head end there is a beneficiation plant. The contract has already been given around six months back. The contractor is working. We expect to have that beneficiation plant by end of 2024 or early 2025 and the pellet plant of course that was progressing very well but we have put it on hold because we want to increase the plant capacity from 2 million tonne to 6 million tonne so because we have gone back to the drawing board so let us see how we design the additional 4 million tonne line so that is under discussion but we have we taken an in principle decision to increase the capacity of pellet plant near the steel plant which is just bordering the steel plant next to the steel plant from 2 million tonne to 6 million tonne that is the decision that we have taken. We are working out the engineering of it and the economics of it but we would like to have that as 6 million tonne. The SP2 at the screening plant two at Donimalai which is a 7 million tonne capacity and which will have upgradeable to 10 million capacity. That tender will be awarded next month. The offers have been received and we are evaluating the offers. I think three offers have been received so we should be able to award that somewhere around middle of next month so these are the three big projects we have. Apart from that we have of course housing projects and others wroth of Rs.300 Crores and Rs.400 Crores so that we will be able to see a little later.

Ashish Kejriwal: Sir doubling of railway line?

Amitava Mukherjee: That is progressing fine about more than 100 km has already been commissioned out of 131 km so two block sections they are working which is the toughest block section. One is near Bacheli between Bacheli and Kirandul. The railways has given us a visibility that they should be able to do it by the end of the financial year.

Ashish Kejriwal: So Sir if I look at the entire thing in perspective we are seeing that rapid wagon loading system that will increase our evacuation capacity by 2 to 3 million tonne? Besides that unless and until our railway lines get doubled we will not have enough evacuation capacity?

Amitava Mukherjee: No I think that this is slightly misperception out there in the field. I want to make it clear that currently as it stands this single line has a capacity of 28 million tonne evacuation and this doubling also because patch doubling you can take the benefits of patch doubling. It need not be complete end to end to take the entire benefit. As and when it is fully completed it will be 40 million tonne but right now the capacities are around 35 to 36 million tonnes so that is not the issue. The issue is availability of rakes and wagons so even right now from Bailadila we are evacuating only 20 million tonne by rail around 7 million tonne to conveyer, 2 million tonnes through road and around 20 to 21 million tonnes through rail so in terms of line capacity we have adequate head space. In terms of rail capacity that is not a constraint. The constraint is availability of the number of rakes line so once it goes up. About one rake is about 1.3 million tonnes. We are on average getting around 16 to 18 rakes but once that availability goes up then the current line can also cater to another 7 to 8 million tonnes easily in terms of line capacity.

Ashish Kejriwal: Understood so Sir unless and until rakes availability increases with the same rakes we can at least extract a higher 2 to 3 million tonnes because of this rapid wagon loading system?

Amitava Mukherjee: Because of quicker loading and once our loading yard is commission for SP3 that I was telling this two rake which is likely to become four rakes now will become six to seven rakes a day from that siding itself once the stacking yard I will commission in and around February or March that is the target as of now.

Moderator: Thank you. The next question is from the line of Pramod Dangi from Unifi Investment Management. Please go ahead.

Pramod Dangi: Thanks. My question is like with the heavy investment in the NMDC still kind of the project going behind us are you looking to check up the dividend payout? What is our dividend payout policy now since we do not have any huge capacity?

Amitava Mukherjee: This is already in the public domain that we have to pay a minim dividend of 30% of our net profits or 5% of our net worth. Traditionally we have been paying around 40% to 45% of our net profits. If you see the last six to seven years in terms of if you combine the buyback and the dividend the payout to our investors has been in the range of around 40% to 45% of our profit after tax so the board will take a final call but we are designing a lot of capex because we want to get this organization ready for the 100 million tonnes outlook so basically we have appointed two to three consultants to give us their inputs on what sort of marketing infrastructure we need. As you know that Kumar Marenga near Jagdalpur. We have already commissioned and that is the first place where we are selling from our stockyard so we in future would be building a lot of stockyards to cater to different type of customers. We believe that the market needs to be segmented in terms of types of customers because the blast furnace, steel mills and the integrated steel different requirements as compared to the sponge iron plants and we hopefully to instead of having a vanilla product as of now we are planning to have customized products so we have set up consultants and in about three to six months time we will have a clarity on what sort of investments that we need to make to have customized product for different classes of customers rather than have a vanilla product for all of them.

Pramod Dangi: Okay sure and then next is like whenever we invest in incremental capacity not in the mining but the allied capacity like stockyard or the railway line or the evacuation facility how we get compensated? How is our capex? Is it like linked to any relation or we charge over and above the relation some cost?

Amitava Mukherjee: We charge over and above the realization. Most of these mining projects have a ROI of well above 50% even at the current tax ranges. The worst of them have ROI of around 30% so mining that way lot.

Pramod Dangi: I am talking about the allied apart from mining whatever the capex we do?

Amitava Mukherjee: Apart from the mining production whatever capex we do has a very healthy ROI of 20% to 21% or even more than that 25% must be there. The ROIs are generally in the range of around 25% because when you make customized product the value realization is higher than the vanilla products so that is now our next target to have facilities which can make these customized products rather than serving it off the mine head as a vanilla product.

Pramod Dangi: Okay great. Thanks. That is all for my side.

Moderator: Thank you. The next question is from the line of Vikash Singh from PhillipCapital India Private Limited. Please go ahead.

Vikash Singh: Good afternoon Sir and thank you for the opportunity. Sir just wanted a clarification you said that you would be increasing pellet capacity from 2 to 6 million tonnes? As I understand our 2 million tonnes was also not running well so can you just give us some insight that whether we have solved the problem and now it is ramping up?

Amitava Mukherjee: Yes. Let us not confuse the two pellet plant. The pellet plant that you are talking about is at Donimalai which is about a 1.2 million tonne pellet plant which has never worked well. That is for a separate reason altogether. That pellet plant was designed for consuming 85% slimes and only 15% is the five circuit right and we never got the slimes because of regulatory issues, because of lease not being renewed and now that lease is being renewed there is a dispute with the tailing dam as a result of which we have not been able to get the feed into the pellet plant so that is a completely different reason for that plant not working to its rated capacity. Now the other pellet plant that I was talking about is a part of the slurry pipeline and the 2 million tonne pellet plant just borders the existing steel plant right so that is a different one so as you know the pellet plant to have capacities of scale should be anything between 6 to 8 million tonnes so we are now adding a module. We are not immediately adding a module but we are keeping a provision for adding a module for 4 million tonnes as and when the steel plant itself the capacity is increased in future, but it will be an integrated sort of an expansion. It will be a modular sort of an expansion so that we can sort of bring up 4 million tonnes line and just plug it and play it rather than constructing it all over again so we have making the common facilities fit for 6 million tonnes in terms of electricity, panels and in terms of the buildings, in terms of the service buildings, and in terms of the fueling arrangements so those common facilities we are making it up scalable, although we will be making only 2 million tonnes right now but as and when we decide to add another four to it, it should be on a plug and play basis almost on a plug and play basis so that is why we are redesigning most of the service facilities of the pellet plant.

Vikash Singh: Understood Sir and my second question pertains to capex so basically you have expedited the capex so which are the projects basically which was expedited and does this mean that the next year our capex intensity would come down because we have that four to five projects on which we were spending money so if we are spending Rs.400 Crores to Rs.500 Crores higher this year that means the next year those projects would have a lower spending until and unless the project cost has increased?

Amitava Mukherjee: This is a good question but what is there is what is not possible in the public domain but you should know is that we have now created a vertical of project organization and we have had the senior most officials as head of projects who are now sitting at Kirandul, Bacheli and at Jagdalpur and at Donimalai which is independent of our production units so these are fully dedicated toward sanction and execution of projects and these project vertical has been given full powers to sort of they have been delegated massive power so that most of the decisions can be taken at the project level itself. So a lot of bureaucracy in the project management has been cut and that is what you see the results that we are about 80% higher than our targets and 40% higher than as compared to last year so that is the first part of the question that we have expedited the project execution in each of the projects except for where we are going back to the drawing board. Next year I expect the capex to be even higher because another two to three projects are coming up. One is of course as I said in my earlier answer that the screening plant two at Donimalai we will tender it out in another about 30 days we will be able to award the work. The bids have already come in. We are evaluating them and we will be able to award so that is about a Rs.1,000 Crore project itself Rs.1,200 Crores project. We have the downhill conveyor and the crushing plant in Kirandul for augmenting our deposit 14 and deposit 11C so that is another around Rs.1400 Crores project. We have already tendered out the main packages. We have not opened the bids as well. We are waiting for a couple of clearances. Once they come then we will be able to award that definitely by February or March we hope so there are two more mega projects that will be added to the existing list of projects so I expect the expenditure to go up substantially in the next financial year and going forward as I said that we are now at the conceptual level of deciding what sort of an investment is required for augmenting our dispatches for especially making our product mix customized to different category of customers so once we have that, so in the next five to six years I believe that we will have substantial capex and that is I understand required for this company to become from 50 million tonnes to 100 million tonnes. It will not be happening free of cost so we need to make these investments now so that in another five years time we are able to have the capacities to mine and sell about 100 million tonnes.

Vikash Singh: Understood Sir. Sir just clarification this screening plant at Donimalai which you talked about how much additional this will add in Donimalai?

Amitava Mukherjee: It will not add additional. See Donimalai already has a screening plant for 7 million tonnes which is the production capacity of Donimalai mine. The Kumaraswamy is where we do a lot of contractual mining and we have dispatch problems there because the entire dispatch of Kumaraswamy mine right now is by road only so this will be processing mostly the Kumaraswamy. Of course it will have the facility to process Donimalai ore as well but it is to that extent the feed is flexible but it is essentially designed for Kumaraswamy ore and then for further evacuation through the Ranjithpura side so my constraints of dispatching through road will be taken care of essentially once we use this facility for processing our Kumaraswamy ore.

Vikash Singh: Understood Sir. Thank you Sir and all the best for future.

Moderator: Thank you. The next question is from the line of Kirtan Mehta from BOB Capital Markets Limited. Please go ahead.

Kirtan Mehta: Thank you sir for this opportunity. In terms of as we are feeling more comfortable about delivering on our 47 to 49 million tonnes target for this year how do we now see the FY2025 production evolving and what are the key projects that we will be targeting to ramp up production further in FY2025?

Amitava Mukherjee: FY2025 there will be a stagnation maybe we will add about one or two, we will go up to 51 to 52 because our EC capacity right now is 51 and with Kumaraswamy it will increase to 53 so as of now next year I do not think we can go above 51 or 52 but we have applied for the EC enhancement in Kirandul, etc., where one round of public hearing is to be held and it is a long drawn out process after hearing of public hearing, etc., so in the Bailadila sector for enhancement of production it is at the public hearing stage and before the public hearing stage so we will get enhanced EC in around 16 to 24 months time so only then of course we have designed the projects for that. We have tendered out the projects for that so I think we should take another two years at least to ramp up further beyond 53 so I do not see any production happening beyond 52 to 53 even in FY2025 and once we get the EC approved for the Bailadila sector there is no more scope in the Karnataka sector after Kumaraswamy enhancement so right now the enhancement has to come from Bailadila sector for which the clearance procedure has just begun so now the public hearings will be held. EC will be taken. Forest clearances will be taken. It is a fairly long drawn process generally 24 months' time project so the next major ramp up will happen after about the two financial years current and the next.

Kirtan Mehta: Understood Sir. Thank you and one more question in terms of we have started talking about the targeting the customized iron ore projects so what is the quantum that we can look at on the customized route and how much premium could it add to our realization some sort of initial color?

Amitava Mukherjee: That is exactly what we are studying. We have put in McKenzie, BCG, Deloitte and everybody on the job to give us a feel of what the market would be in five to six years and what would be the requirement of our customers that is exactly what we are studying and once we are clear about what segment of customer would require what product then we will make those investments in making those products. That is the exact study that we are now doing. I mean to say the integrated steel plant with blast furnaces have different requirement from our sponge iron plants with rotatory clearance and other things so that is exactly what we have asked the experts to do a deep dive on the current scenario as well as the future expansion plans of our customers and take it into account and come to a marketing policy. I think that should be ready by this financial year and we should have a complete clarity of what we want to produce and where we want to produce them and only then the question of course we expect a 15% to 20% jump in realization when we are able to serve our customers with customized products rather than the plain vanilla product that we are selling right now.

Kirtan Mehta: Right one more question if I may so in terms of the outside the iron ore mining sector we are also exploring the opportunities in other mining areas could you sort of highlight our sort of plan around the same and progress in that area?

Amitava Mukherjee: Yes you will be happy to know, sorry I forgot to mention this in my introductory address that we have commissioned our gold mine in Australia. It is a small mine to start with about a tonne of production and in about a year to 15 months but bordering that we have around six to seven and another 10 mines which are highly promising. We should be able to complete the exploration and take a decision within the next 12 to 18 months so gold is going to be there in Australia. In Australia also we have a big terrain where we have a very, very promising magnetized deposits and are also very promising lithium deposits. We are doing the PFS along with our partners which is Henry or Hancock which is the fifth biggest mining company in the world. They are partnering with us in developing that so we are in the PFS stage for the magnetized project and the pre PFS stage for the lithium project. In India as you know that we have got two coal blocks. One of them we are having slight problem so we have not been able to operationalize that because of land acquisition issues. The other one of course we are going ahead that is the Rohane coal for about 8 million tonnes so that should be producing in another 18 to 24 months so we are diversifying our portfolio. We are looking at across the borders. In fact we are scouting for probable leases in Western Africa, in Australia and in any other places. Within India of course we are requesting everybody if we can get some separate minerals as well. We are open to that but we are not very hopeful in India because of the auction regime that is there so it for a merchant miner it is not very viable for us to have a huge amount of mines at a very substantial premium. That does not make merchant mining viable so naturally we are looking beyond our shores and we are definitely looking beyond iron ore. The long term should be by around five years' time we should be able to do a top line of around 10% to 15% from other than iron ore so that is what we are looking at. Maybe we will look at a target of 5% to 10% overseas revenue as well so these are the things right now. Some of them are being executed. Some of them are being planned and we are spreading our wings.

Kirtan Mehta: Thank you Sir. All the best for this interesting journey.

Moderator: Thank you. The next question is from the line of Shweta Dikshit from Systematix Group. Please go ahead.

Shweta Dikshit: Good afternoon. Sir just one question. I did not get it earlier could you repeat like what is the product mix between fines and lumps and going ahead **46:19 audio cut** lumps so do we see that product mix changing in the near future?

Amitava Mukherjee: Yes the current lump to fine recovery is 30% to 70%. We recover around 30% lump and 70% fines but our preliminary survey suggests that in the next 5 to 10 years the lump demand would be substantially reduced and the fines demands would substantially rise and that is exactly what we are studying now and what our customers would be wanting five years from now so that is what I said in my previous question we are making a deep dive on the current market situation, the medium term market situation in the next five to six years and the long term market situation which is 10 to 15 years and based on that survey we will be designing our product portfolio so naturally where I say we will not be making all that vanilla product in terms of X mine sales of either lumps or fines would rather have them processed, blended and make customized product for different sort of customers but this is just right now on the drawing board. We are doing the market survey for immediate term, medium term and long term and we will take a call on the investments that are required but going forward I am told that what we understand our primary market study is that possibly in another five to seven years the lump requirement would be much more subdued. The growth in lump would be much more subdued and the growth in fine would be much more aggressive so we are taking that into but that we have the experts sort of doing the entire market survey for us and based on that we will take a call in another three to six months and see what sort of products we want to make and whom and from where we want to sell.

Shweta Dikshit: Could you give ballpark number of the capex next year?

Amitava Mukherjee: Capex we should be doing about Rs.2200 Crores to Rs.2300 Crores next year. This year we should do somewhere around anything between Rs.1800 Crores to Rs.2,000 Crores against a target of Rs.1600 Crores. We should be able to do Rs.1800 Crores to Rs.2,000 Crores. Next year we plan to do around Rs.2200 Crores to Rs.2300 Crores of capex.

Shweta Dikshit: Okay thank you Sir.

Moderator: Thank you. The next question is from the line of Mohammed Farooq from Pearl Capital Business Funding, LLC. Please go ahead.

Mohammed Farooq: Good afternoon Sir. Thank you for the opportunity so in the last couple of months NMDC major client RINL has an experience a significant success could you please provide you know insight in how much of this has benefited NMDC in terms of volume compared to the previous year and additionally?

Amitava Mukherjee: Can you repeat your question about RINL please.

Mohammed Farooq: In the last couple of months NMDC major client RINL has experienced significant success could you please provide us insight into how much this has benefited NMDC in terms of volume compared to the previous year and additionally what is the anticipated supply of iron ore to NMDC Steel Plant for the current year?

Amitava Mukherjee: I will just give you the numbers. Last year we had supplied RINL with around 27 lakh tonnes that is 2.7 million tonne. This year H1 we have supplied around 30 lakh tonne which is 3 million tonne so it has been a 10% enhancement as compared to last year, but RINL is one of our three big customers as you know that around 70% of our product sales is accounted by three people that is JSW which mainly takes from Karnataka and their Western plants take from Bailadila. The second big customer is of course AMNF which has a direct pipeline from Kirandul. That accounts for seven to eight million tonnes and RINL also accounts on an annualized basis around six to seven million tonnes. Now we have a new customer which is our sister company NMDC Steel which will consume around four to five million tonnes and that is completely dependent on NMDC ore so we are supplying whatever is required. Right now the plant is running at around 40% to 45% capacity but whatever capacity it runs and whatever it takes we will be supplying to naturally NMDC Steel which is our primary responsibility to supply to them so we will be supplying to them.

Mohammed Farooq: Okay Sir. The second questioning regarding Q2 production pricing and profit you is it reasonable to assume that the production will go up by 30% and the pricing can go up by 30% so the top line can go at least 50% to 60% up in the Q3 and also the bottom line can go up 70% to 80% just a forecast for Q3?

Amitava Mukherjee: It is very simplistic to make those forecasts. Those are very approximate numbers. We can tell of course our production in the H1 has gone up by around 20%. We intend to maintain that pace so we can safely assume that our production on an annualized basis will be 10% to 15% around 15% to 20% higher even if we do 48 million tonnes so that will be 20% higher than our previous year so around 20% to 25% increase in production is something that we are targeting and something that we hope that we will achieve. Second is of course the pricing is difficult to give a number to pricing.

Mohammed Farooq: Q2 to Q3 Sir? Q2 and Q3 at least 10% to 20% up?

Amitava Mukherjee: Let us hope so I would be the happiest man if that happens but pricing is a dynamic thing. The market conditions keep changing. The steel prices are a dampener, but the international prices are very encouraging so there are multiple factors, let us see how much further price realization we can make.

Mohammed Farooq: Okay Sir last question Sir NMDC now currently has a substantial cash flow of close to Rs.14,000 Crores. It is noteworthy that within the listed space there is not a single company with the cash reserve of Rs.14,000 Crores and the market cap is less than Rs.100,000 Crores. We understand that you have lot of capex and capital projects like Rs.2000 Crores and Rs.3000 Crores every year but you also do Rs.5000 Crores to Rs.6000 Crores profit every year? Now the question is why the Rs.14,000 Crores is in the books? I understand there is capital expenditure but at the same time you have Rs.4000 Crores to Rs.5000 Crores profit every year? Could you please explain that Rs.14,000 Crores?

Amitava Mukherjee: Yes idle cash sitting on the balance sheet is not exactly a great thing to happen. We are designing capex so that there is a quantum jump in capex. This Rs.2000 Crores per annum has to increase to Rs.4000 Crores to Rs.5000 Crores per annum in the next three to four years and we are taking steps to ensure that the projects are being conceived. As I said we are going to entirely reorient our marketing infrastructure. We want blending yards and dispatch yards to happen. One of them happened in Kumaramaranga on a small scale a 2 million tonnes capacity yard so obviously a lot of capex will have to be made in augmentation of our production facilities. For example in Kirandul we have already tendered out for around Rs.1400 Crores of the project. So these projects will all come up and come together and with the capex you would will see a quantum jump in capex in the next five to six years but yes it is a profitable business. We generate cash and even after an average payout of around 45% on dividend and share buyback for the last five to six years, we have been able to generate adequate cash for both our capex and for servicing.

Mohammed Farooq: Yes Sir the final question on the steel plant Sir? What news came up regarding the privatization has been stopped a little bit? We have seen the investor confidence come down little bit after the announcement? How can we make sure that this is not going to be like one of like RINL or SAIL in the future how can we give confidence to the investment in case if it is disinvestment?

Amitava Mukherjee: This is one of the most modern plants in the world not only in the country. It is one of the state of the art plants and once we have commissioned it we are now ramping it up. If you know the commissioning was nobody not even in the private sector you had the finished product which is for us the hot roll rolled within nine days of getting the hot metal so that that has been a record in itself. We are already operating at 40% to 45% capacity. We are now testing the other the additional lines so that we can ramp up to 70% to 80% by the end of the current financial year itself. We hope to do so. We were trying to do so and by the next financial year we should be able to run it at full capacity. This being one of the most modern plants and we should be able to make all sorts of products so our average realization would be higher than our compatriots in another company so give us some some time and by the year end we should be able to be clear.

Mohammed Farooq: Yes perfect very good but one point you mentioned last time if the breakeven needs 2 million tonne which is almost 66% of the project is not it too high 2 million tonnes for a breakeven for this?

Amitava Mukherjee: No that will depend on the prices. I am not very sure. I cannot give you a number on the breakeven point exactly but it is a function of price so I do not know at current level whether it is 60% or 67% or 50%. I will have to work that out. I will not be able to give you off the cuff.

Mohammed Farooq: Okay thank you Sir. All the best.

Moderator: Thank you. The next question is from the line of Ritesh Shah from Investec. Please go ahead.

Ritesh Shah: Sir thanks for the opportunity. A couple of questions. One is you indicated on the gold mine that we have in Australia and you also indicated about the lithium magnetized deposit that we have? Sir can you highlight the scope of operations over here how big it can be if everything goes fine?

Amitava Mukherjee: Yes the gold right now is a very small gold mine. We will do about a tonne in about a year time a year to 15 months will be there but there are six other mines very close to that so we will be exploring all of them simultaneously and since that is a gold bearing zone near the Laverton area near Kirandul so we expect to have a fairly big gold presence in and around 24 months time. Regarding the magnetized it has around more than about 1.5 billion tonnes of very high grade magnetite. They are just extremely high grade magnetite with PFS is being done. Water is a problem there. The PFS is currently being done. The evacuation routes are being currently done but initially if it becomes viable and if the PFS is right and then the DFS is right then I think initially we will start with a 10 million tonnes mining and it is scalable up to 25 million tonnes to 35 million tonnes but we will by that time have a 30% holding of that so our proportionate share would be around 3 to 4 million tonne initially and then going up it will be 8 to 10 million tonne. Lithium of course we are in the same fault zone. There are working lithium mines just above our terrain and just below our terrain so we are now just exploring right now so we are at the pre PFS stage so we will hopefully undertake the PFS starting next April hopefully we will start the PFS. It should take around 18 months to do the PFS. Of course if the results are encouraging we will fast track everything so let us see how the results come and then we will let you know.

Ritesh Shah: Right and Sir gold and magnetite both projects will be viable right so from a unit economic standpoint?

Amitava Mukherjee: Naturally that is what the PFS and the DFS is there for. If it is not viable we will not be doing it but the initial report suggests that they are very encouraging. Gold they are already mining. One mine that will be viable it will not give us huge amount of profits but we expect 8 to 10 million only in the next about a year. The big thing is the other six gold terrain that we have in the surrounding. If we do that then that will be a substantial.

Ritesh Shah: Sure Sir would you like to give some project IRR on the current spot prices for gold and magnetite?

Amitava Mukherjee: I will not be able to give you one straight away.

Ritesh Shah: Okay no worries and Sir the lastly on India specific there was this recent amendment? There have been six minerals which have been denotified from atomic metals but you said we are not very hopeful given the auction regime so are we saying that we would not go and even bid for it or how should we understand that?

Amitava Mukherjee: No you see the atomic minerals from our strategic standpoint that is not something that is our area of interest because most of the value realization lies in processing not in mining. Whether it is iridium or uranium or whatever these windows the processing technology is the main challenge there and not the mining and we do not realize too much value out of mining in these minerals. It is the processing that is important and as a result except for we have a short list of six seven to eight minerals which we want to do is bauxite, iron ore, gold, lithium and some others like copper and those opportunities where ever we get whether in India or outside we will be happy to look at so we have narrowed it down to seven to eight windows only which we are really interested. These small minerals which are found in small places and require huge amount of processing is something that we are not very keen of as of now.

Ritesh Shah: Sure and so lastly on diamond what is the update in India and how should we look at this business in three years to five years out?

Amitava Mukherjee: We had got the Supreme Court clearance. We have approached the power committee for our environmental clearance. Some clarifications are required so hopefully in the next meeting we will be able to put it up and let us see if they give us the clearance then we will be. We are ready for mining. We can go in for the mining within a month's time after getting the EC clearance.

Ritesh Shah: Scope for project any tonnage how should we look at it carat?

Amitava Mukherjee: Beg your pardon. I think it is 30,000 carat mine but initially the first year I think we should get only 10,000 odd carats but as we ramp it up that mine needs to be redesigned. It will take a couple of years but no further diamond projects in India as of now. Diamond and another minerals that going forward we not very on keen on.

Ritesh Shah: Sure this is very helpful Sir. Thank you so much. All the very best.

Amitava Mukherjee: Amit I think has been more than an hour. Now I think I have another meeting to attend.

Moderator: Thank you very much. Ladies and gentlemen, we will take that as the last question. I now hand the conference over to Mr. Amit Dixit for closing comments.

Amit Dixit: Thanks everyone for attending the call this afternoon. I would also like to thank the management for sparing their valuable time for interacting with us. I will now invite Mr. Mukherjee for his closing remarks. Over to you Sir.

Amitava Mukherjee: Thank you for being with us. We are doing fairly well but we expected to do better. The near future in the medium term we have huge plans for the company. We wish to reorient the entire way that we sell our product and the products we sell also so the company is under a major transformation right now starting with what we have seen with the logo itself. We are very keen and we have taken our sustainability agenda very, very seriously. We have just set up a sustainability full-fledged sustainability department. We call ourselves the responsible minor that is the tag that we have and we take our commitment very, very seriously so going forward we not only want to grow big but we also want to be more responsible towards all our stakeholders be it our customers, be it our shareholders, be it the local community, be it the environment, and be it our employees so we hope to be not only bigger but certainly, certainly better as well in future. Thank you.

Moderator: Thank you very much. On behalf of ICICI Securities Limited that concludes this conference. We thank you for joining us. You may now disconnect your lines. Thank you.