



ಕುದ್ರೆಮುಖ್ ಅಮಿಟೆಡ್

(ಭಾರತ ಸರ್ಕಾರದ ಉದ್ಯಮ)

ನೋಂದಾಯಿತ ಕಾರ್ಯಾಲಯ :
2ನೇ ವಿಭಾಗ, ಕೋರಮಂಗಲ
ಬೆಂಗಳೂರು - 560 034.

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के आई ओ सी एल लिमिटेड

(भारत सरकार का उद्यम)

पंजीकृत कार्यालय :

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KIOCL LIMITED

(A Government of India Enterprise)

Registered Office :

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CIN : L13100KA1976GOI002974

ISO 9001, 14001 ಮತ್ತು
OHSAS 18001 ಸಂಸ್ಥೆ
आई एस ओ 9001, 14001 तथा
ओएचएसएस 18001 कम्पनी
ISO 9001, 14001 &
OHSAS 18001 COMPANY

No. S/BC/1 (18-5)/2023/291

September 22, 2023

National Stock Exchange of India Limited

Scrip Code: KIOCL

Through: NEAPS

BSE Limited

Scrip Code: 540680, Scrip Name: KIOCL

Through: BSE Listing Centre

Metropolitan Stock Exchange of India Limited

Scrip Code: KIOCL

Through: mylisting

Dear Sir/Madam,

Sub: Chairman's Message to Shareholders given at the
47th Annual General Meeting

We enclose herewith a copy of Chairman's Message given to Shareholders at the 47th Annual General Meeting of the Company held today i.e., on 22nd September 2023 at 12:00 Noon.

This is for information and record please.

Thanking You,

Yours faithfully,
For KIOCL Limited,

(P.K. Mishra)
Company Secretary & Compliance Officer

Encl: As Above

CHAIRMAN'S AGM SPEECH

At the 47th Annual General Meeting Held on
Friday, September 22nd, 2023



Esteemed Shareholders, my colleagues on the Board, distinguished ladies and gentlemen,

It is a privilege to speak to you and present the Annual Report for Financial Year 2022-23.

Let me begin by addressing the operating environment during the year gone by. Nonetheless, it was a challenging year for the steel industry. Globally, the industry made swift progress on the back of strong post-Covid recovery and growing infrastructure investments around the world.

However, the conflict in Ukraine aggravated existing inflationary pressures. Gas and coal prices surged, leading to a sharp increase in steel prices.

The economic crisis induced by the war resulted in lower demand for steel and it redirected trade flows. Moreover, during the fiscal, customs duty of 45% was levied on the export of Iron Ore Pellets.

Despite these challenges, our production during the year touched 1.51 Million Tonnes (Mt) and we dispatched 1.46 Million Tonnes of iron ore pellets, in comparison to production and dispatch of 2.03 Mt and 2.07 Mt respectively in FY2022. Besides, we recorded capacity utilisation of 43% during the fiscal year.

As far as our financial performance is concerned, our Revenue from Operations stood at ₹1,543.42 crores. Our income from Sale of Services (O&M Operations and Mineral Exploration Services) during the year was ₹ 20.47 crores, against ₹ 24.91 crores in the previous year. However, revenue from export declined by 46% to ₹ 1,361.43 crores in comparison to ₹ 2,928.97 crores in the previous financial year.

Mainly due to imposition of duty @ 45% on export of Iron Ore Pellets vide Customs Notification dated 21-05-2022, w.e.f. 22-05-2022, your Company was not in a position to export Iron Ore Pellets post duty imposition regime and coupled with high produce prices for domestic market, your Company incurred a Loss Before Tax of ₹ 122.76 crores against a Profit Before Tax of ₹ 411.03 crores in the previous year. However, the Government of India finally removed the export duty on November 19, 2022, but by then global

steel prices had headed south

Market Scenario

India, continued to be the world's second largest producer of crude steel with the production of about 124.7 million tons crude steel in 2022, while finished steel production stood at 117.80 million tons. In Calendar year 2023, crude steel production is expected to touch nearly 134 million tons and finished production to reach around 127-128 million tons. World's crude steel production decreased by about 4.20% to 1,878.5 million tons in 2022 from 1960.4 million tons in 2021. As per World Steel Association report, in 2023, steel demand will see a marginal growth to reach about 1,881.4 million tons.

Seaborne Iron ore prices were highly volatile during 2023 and ended the year at their lowest in last 3 or 4 years. COVID-19 & property sector slowdown continued to weigh down steel demand in China. Prices in the western countries remained subdued because of weak demand, high inflation, and fear of recession. The fallout from Ukraine conflict has impacted the markets, by drying up ore supplies and growing energy crunch hampering Europe's steel output.

Levy of export duty on Export of pellets was a major dampener for standalone export-oriented pellet producer like KIOCL. The steep hike in export duty coupled with high cost of production have rendered KIOCL pellet exports unviable. Because of higher production cost, even iron ore pellets were not viable in domestic market. However, KIOCL started focusing on selling iron ore pellets in domestic market both through road and sea mode of dispatches for maximizing sales during the financial year 2022-23.

Pellet Exports from India stood at about 6.26 million tons during 2022-23 as against 11.14 million tons in the previous year, down by about 43.77 % on Year - on -Year. Pellet Exports from KIOCL stood at about 1.273 million tons during 2022-23 as against 2.032 million tons in the previous year, down by about 37.36 % on Year - on -Year. However, KIOCL's market share in export of pellets from India has increased from 18.20% in FY 2021-22 to 20.30% in FY: 2022-23.

Dividend

The Board of Directors had not recommended payment of dividend for the year 2022-23 due to absence of distributable profits. The Board has not recommended dividend based on the parameters laid down in the Dividend Distribution Policy.

CAPEX

Your Company had Incurred a CAPEX of ₹ 422.83 crores, highest post closure of captive mine during the Financial Year 2022-23, which was 110% of the Budget Estimate (BE) of ₹ 384.63 crores and against

previous years CAPEX of ₹ 290.45 crores. 95 % of CAPEX expenditure was met through internal resources of the Company and balance was met from term loan.

Way forward - Creating KIOCL of tomorrow

For a sustainable future, your Company is continuously working on various long term / short term expansion / diversifications projects, which are at different stages of implementations / approvals from different regulatory authorities at the level of State Government and Central Government.

Development of Devdari Iron Ore Mine, Sandur Taluk, Ballari Dist., Karnataka

Ministry of Environment, Forest and Climate Change, Govt of India vide letter dated December 16, 2022 accorded Final Stage II Forest Clearance for diversion of 388 ha for mining and 13.5761 ha for ancillary activities for Devadari Iron Ore Mine. Govt. of Karnataka executed the Mining Lease deed on January 2, 2023 with KIOCL Ltd. for grant of a mining lease for Iron Ore and Manganese Ore, over an extent of 388 ha



for a period of 50 years in Devadari Range, Sandur Taluk, Ballari District, Karnataka State. The Mining Lease deed was registered at the Office of Sub-Registrar, Sandur taluk on 18-01-2023 and your Company incurred Rs. 329.17 Crores towards Stamp Duty & other charges for registering the ML deed.

Government of Karnataka issued Govt order for final diversion of Forest land 401.57610 ha on 11-04-2023. On handing over of forest land by DCF Ballary to KIOCL, Company will start the activities for commencement & development work at Devadari Iron Ore Mine to produce iron ore.

At KIOCL, we leverage over decades of experience to strengthen our foothold in the industry. With our strategic location in Karnataka, we seek to expand our operations by developing and commencing mining operation at the Devadari Iron Ore Mine.

Our efforts in this direction have been successful as the Government of Karnataka executed the Mining Lease deed on January 2, 2023, granting us the mining lease for Devadari Iron Ore Mine. This development allows us to re-enter into mining operations and optimise production capacity at our Pellet Plant.

We believe, as a result of this, we are well-positioned to take advantage of growing global demand for iron ore.

Installation of Vertical Pressure Filters in Pellet Plant Unit

Four (04) vertical Pressure filters have been installed at Pellet Plant to have flexibility to utilize the ore received from any part of the country. Auxiliary equipments are also being supplied by various vendors. Vertical Pressure Filter installation would improve the capacity utilization with flexibility in using iron ores of different types. The commissioning of Vertical Pressure filters is expected to be completed by Dec, 2023

Installation of dual burner system

Your Board in its 277th Meeting held on 04-02-2022 as a part of green initiative, has taken up the project of installing dual burner system in the indurating machine of Pellet Plant to utilise Natural Gas as an alternative to the Furnace Oil being used currently. The project cost is ₹ 36.80 Crores.

Setting up of Coke oven plant and DISP Plant with Modernization of BFU

Captive coke oven and PCI System will reduce the input raw material cost of Blast furnace operation. Construction of Non-Recovery Coke Oven Plant of capacity 1.8 lakh ton per annum at Mangalore is under progress. The technology of Coke Oven Plant is provided by M/s Central Institute of Mining & Fuel Research, under Atmanirbhar Bharath Initiative. Total cost of project is Rs. 185 Crores excluding GST. Civil works for Battery- 1 and Battery-2 are completed and structural erection work is under progress.

Implementation of ERP

SAP S/4 Hana ERP on cloud platform has gone live on April 1, 2023 with core modules. The project is named as "Ashwa Megha". The ERP implementation is a major milestone towards digital transformation of the Company.

Mineral Exploration Works

KIOCL is also engaged in mineral exploration and are involved in the exploration of minerals such as iron, manganese, limestone, nickel, chromium, copper, gold, lead, zinc, kyanite & phosphorite. During the year a total of nineteen (19) number of Mineral Exploration Projects for NMET, Govt. of Karnataka and others with cumulative approved project value of ₹ 134.95 crores (including GST) were handled. Additionally, Mineral Exploration works of Devadari Iron Ore Block (captive mine block) with approved project value of ₹ 24.86 Crores (including GST) was also carried out.

Corporate Social Responsibility - Growth with Goodness

Along with a focus on business growth, we continue to fulfil our obligation towards people and communities. It encourages us to undertake CSR projects encompassing the domain of healthcare and nutrition. We also directed efforts to promote education, provide access to clean drinking water, ensure environmental sustainability and promote skill development programmes for the marginalised sections of society. During the fiscal, we have spent ₹ 589.96 lakh towards our CSR activities. This includes funding for ongoing projects and set-off availed during the year.

Future Outlook

As we move forward, we are strategically redefining our approach to uncover new opportunities. We are continuously expanding and diversifying our operations. Along with foraying into mining operations, we are establishing a DISP Plant with a capacity of 2.0 LTPA, and a Coke Oven Plant with a capacity of 1.80 LTPA as backward integration projects. Additionally, we plan to make necessary modifications to the Blast Furnace Unit to improve its economic viability. We remain determined to explore new markets and segments to retain our competitive edge and reduce costs through process optimisation. Alongside, our continuous investment in people empower us with the expertise required to sustain growth and efficiency across our operations.

Corporate Governance

The philosophy of your Company in relation to corporate governance is to ensure transparency, disclosures and reporting that confirms fully with the laws and regulations of the country in order to promote ethical conduct & practices throughout the organisation for enhancing stakeholders' value. Your Company is committed to complying with the provisions of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 relating to Corporate Governance and the guidelines on Corporate Governance for CPSE issued by Department of Public Enterprises, Govt from time to time.

Acknowledgement

As I conclude, I would like to express my sincere thanks to our dedicated team who helped us navigate a tough year. I am also grateful to our shareholders for their continued support. Finally, I would like to thank the Ministry of Steel, Central and State Governments, Regulatory authorities, our customers and all other stakeholders for being partners in our journey.

Thank You,

Sd/-
T. Saminathan

Date: 22.09.2023
Place: Bangalore
Chairman-cum-Managing Director

Note: This does not purport to be a record of the proceedings of the Annual General Meeting

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Ecology Our Mission; Obsession

Poised for Growth;
Paving Our Way Forward



KIOCL Limited
CIN No: L13100KA1976GOI002974