



MOIL LIMITED

(A Government of India Enterprise)

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CS/NSE-BSE/2020-21/

Date 06.11.2020

To,
The GM (Listing),
National Stock Exchange of India Ltd,
Exchange Plaza, Plot No.C-1, G Block,
Bandra Kurla Complex, Bandra (East),
Mumbai – 400053

To,
Listing Department
BSE Limited
Phiroze Jeejeebhoy Towers
Dalal Street
Mumbai- 400001

Sub: Conference Call-Clarification

Dear Sir/Madam,

This is in continuation to our letter dated 03.11.2020 informing clarification issued on queries regarding liquidation of inventory during Q2 FY 2020-21 and change in the accounting policy, if any. In this regard, some more information is included in the clarification due to receipt of further queries from the investors. Copy of consolidated clarification is enclosed as **Annexure I** for further information of the stakeholders.

The above clarification is also uploaded on the Company's website www.moil.nic.in

This is for your kind information and record please.

Thanking you,

Yours faithfully,
For MOIL Limited




N. D. Pandey
(Company Secretary & Compliance Officer)



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Note on Inventory Evaluation - Q2 FY 2020-21

On 29.10.2020, MOIL management discussed the Q2 FY 2020-21 results with investors in a telecon arranged by EMKAY Global Financial Services Ltd. During the discussion, there were a number of questions regarding liquidation of inventory during Q2 FY 2020-21 amounting to Rs 110.49 crores. There were also queries regarding change in the accounting policy, if any, and whether there was writing down of inventory. In view of the substantial impact of inventory liquidation on the financial performance of Q2 FY 2020-21, it was decided to update the investors through an explanatory note. This note explains the treatment of inventory in the books of accounts of MOIL Ltd.

At the outset, it is emphatically clarified that there is no change in the accounting policy of the company with respect to treatment of inventory and as such there is no write down of inventory. MOIL's accounting policy is fully compliant with Ind AS 2 Valuation of Inventory according to which the inventory is evaluated at the lower of the cost or the net realizable value. Further, as there are a number of Grades of Manganese Ore, as per the Board approved accounting policy of the company, the cost allocation for inventory valuation of a grade is based on its net realizable value (NRV). This policy has been consistently followed by MOIL including Q2 FY 2020-21.

On 31.3.2019, there was an inventory of Manganese Ore of 1,22,883 MT. The average per ton inventory valuation of Manganese Ore was Rs 5381 and the total value of finished Goods inventory was Rs. 76.72 crores. On 31.3.2020, inventory of Manganese ore was 1,90,827 MT. This substantial increase in the inventory was due to stoppage of dispatches in the last fortnight of March 2020 because of COVID-19 restrictions. The average per ton inventory valuation of Manganese Ore was Rs 6033 and the total value of Finished Goods inventory on 31.3.2020 was Rs 145.05 crores. Hence, there was inventory accretion of Rs 68.33 crores.

At the end of Q1 FY 2020-21, inventory of Manganese Ore was 1,78,865 MT. The average per ton inventory valuation of Manganese Ore was Rs 9852 and the total value of finished Goods inventory was Rs. 204.18 crores. Accordingly, there was an inventory accretion of Rs. 59.13 crores. An important point to be noted here is that despite a reduction in Manganese Ore inventory from 1,90,827 MT to 1,78,865 MT, there was an accretion of Manganese Ore inventory in the accounts as the per ton inventory valuation increased from Rs 6033 on 31.3.2020 to Rs 9852 on 30.06.2020. This increase in per ton inventory valuation of Manganese Ore is attributable totally to drastic reduction in Manganese Ore production during Q1 FY 2020-21. During Q1 FY 2020-21, the production of Manganese Ore was 1,34,315 MT, a whopping 58% lower than Q1 FY 2019-20. This drastic reduction in production as a result of COVID-19 lockdowns, pushed up the per ton inventory valuation resulting in an accretion of inventory of Manganese Ore. In normal circumstances, reduction in physical inventory results in liquidation of inventory in the books of accounts. However, due to peculiar situation arising out of COVID-19, the opposite of normal was seen in the Q1 FY 2020-21. It is emphasized that this inventory treatment is as per Ind AS 2 Inventory Valuation and consistent application of MOIL's accounting policy.

In Q2 FY 2020-21, there was a substantial catching up in the production and a rebound in sales of Manganese Ore. During Q2 FY 2020-21, production was 2,59,610 MT whereas sales was 3,44,011 MT. This resulted in a huge reduction of 91,933 MT of Manganese Ore inventory with total inventory of Manganese Ore at the end of H1 FY 2020-21 being 86,932 MT. Due to increase in production in Q2 FY 2020-21, per ton value of inventory of Manganese ore reduced from Rs. 9852 at the end of Q1 to Rs 8641 at the end of Q2.

The above explains position of inventory valuation and changes in value of inventory in respect of manganese ore. Similar problems of lower / Nil production were encountered in EMD Plant and Ferro Manganese Plant of the company, especially during first quarter. As a result of this, EMD Plant inventory of 25 MT was valued at Rs.0.31 crores and Ferro Manganese Plant inventory of 2671 MT was valued at Rs.18.38 crores (including slag valued at Rs.2.60 crores). So, at the end of H1 FY 2020-21, the total value of finished Goods inventory was Rs. 93.68 crores resulting in an inventory liquidation of Rs. 51.37 crores. Once again it is highlighted that this treatment was as per the applicable accounting standard and accounting policy of MOIL.

For calculating the change in value of finished goods inventory, MOIL follows the same practice that is followed at other public sector organization like NMDC, SAIL etc. and other private companies like Hindustan Zinc Ltd (HZL). The change in inventory during Q2 FY 2020-21 is arrived at by simply subtracting the change in inventory at the end of Q1 from that at the end of H1 of FY 2020-21. This is a consistent treatment followed by MOIL and other companies. This gives an inventory liquidation of Rs 110.49 crores.

From above, it is crystal clear that MOIL's treatment of finished goods inventory and its valuation has been consistent and was completely as per the applicable accounting standard and policy.
