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PRESS HANDOUT

NMDC strongly denies and refutes all the allegations made in the Report of Karnataka State Lokayukta in respect of under-invoicing of its exports between the period from 2006-07 to 2009-10. NMDC is a public sector enterprise with Navratna status. Its all commercial deals are fully transparent. Its exports to Japan and South Korea, which has been continuing from 1963, are based on the decisions taken at the level of the Indian Cabinet and are implemented by the canalizing agency nominated by the Government of India for export of high grade iron ore viz., MMTC. NMDC supplies iron ore on back to back basis to MMTC for export.

Globally, iron ore trade is regulated principally through long term contracts. About 85% of total global export of iron ore takes place through long term contract while some of the Indian companies participate in spot sale of iron ore mainly to China buyers. NMDC, like other large iron ore producers of the world, supplies iron ore to Japanese and South Korean Steel Mills on long term contract through MMTC. The main advantage of long term contract is that in such contracts the buyer and seller committed to each other for regular off-take of material at predetermined price. For iron ore the long term prices are also determined globally, and there is no and there cannot be any scope for under invoicing as alleged in the report.

NMDC's iron ore mining operations in Karnataka in its operative mine called Donimalai, which covers about 608 ha of land in the Bellary district in

Karnataka. NMDC process about 5 million T per annum from its Donimalai mine. The company do have another mine called Kumarswamy in the same region, which is presently under construction. Though the report states that NMDC is indulged in under invoicing for the period from 2006-07 to 2009-10, the company intends to clarify abundantly that after middle of the year 2008-09, the company did not carry out any export from its Donimalai mine. The Company's exports are limited from its mines in Bailadila in Chattisgarh. In 2006-07 and 2007-08 during which NMDC did effect export from its Donimalai mines. The price charged from the customers had been purely long term prices at par with equivalent long term prices applicable for Australian and Brazilian mines. To give a little background of these exports, it is to be stated that the company was having its export effect through long term contract which were renewed on 5-yearly basis. The last contract was renewed with effect from 1st April 2006 for a period of 5 years. The renewal of the contract was done with the approval of the Indian Cabinet after which there was a contract agreement signed between Japan Steel Mills viz., NSC, JFE, SMI, KSC and NIS and South Korean Steel Mills viz., POSCO and MMTC, the canalizing agency of Government of India. NMDC participated in the contract by being a back to back supplier. In terms of the contract it was decided, as earlier, that long term prices for fines and lumps which are supplied by NMDC would fixed on year to year basis through negotiations between the two parties. These long term price negotiations are held every year in Japan by an Indian delegation including senior officials from Ministry of Commerce, Ministry of Steel and top officials of MMTC and NMDC. During these negotiations, the FOB prices for each item is determined. In 2006 the prices fixed for export of fines and lumps exported from NMDC were USD 46.6/T and USD 60.02/T on FOB basis. Thus the prices were fixed in line with the prices for Australian and Brazilian exports and were negotiated by the high powered Indian delegation indicated above.

It is also alleged that the exports from NMDC were made through some preferred companies. Such allegations are strongly denied. All exports from NMDC are made by MMTC only which is a public sector undertaking and there are no intermediary parties in the transaction.

The confusion which is seen through Lokayukta Report appears to be the result of not understanding the clear difference between mechanism of spot pricing viz-a-vis long term prices. The spot prices are fixed on day to day basis or even ship to ship basis. The small miners generally participate in spot sale. The spot prices are some times higher than long term price and vice versa. In 2007-08 for some time, the spot prices were much higher than the long term prices and exactly the reverse situation is there in 2008-09 when the spot prices were much lesser than the long term prices. Therefore comparison of long term prices with spot prices cannot give accurate results. Incidentally from 2010-11, there has been a change in the formula for fixation of long term prices globally. The long term prices are fixed on three-monthly basis on the basis of average spot price during the preceding three months with a gap of one month in between. Globally this has been the latest price determination norm over the last year and NMDC has also been following this norm not only for the export trade but also for domestic sale.

Regarding procedure of export it needs to be clarified that whenever any export is effected by NMDC in which NMDC's iron ore is exported, immediately after shipment 90% of the LC amount (sales value) is realized by MMTC and is passed on to NMDC and balance 10% is realized after the cargo is landed. Thus the export value is collected in India and deposited in India

and the allegation of siphoning the money and parking the same outside the country is absolutely unacceptable.

NMDC would like to reiterate that the company has been not only one of the most prestigious companies of Government of India but also it is known for its transparency and its values. While large scale allegations are made about illegal mining and violating environmental norms by the mining companies in Karnataka, the Central Empowered Committee in its report submitted to the Hon'ble Supreme Court of India, not only appreciated the efforts made by NMDC in carrying out scientific mining but also clearly mentioned that the company is not involved in illegal mining. One has to understand that NMDC is a public sector company on a different footing and maintains high standard in the transactions which needs to be appreciated.