

Chairman's Message

62nd Annual General Meeting (AGM) 2019-20

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**Optimising resources
to strengthen the value chain**

**Maintain Social Distance
Wear Mask
Use Sanitizer**

CHAIRMAN'S MESSAGE



Dear Shareholders,

I have great pleasure in welcoming you to the 62nd Annual General Meeting (AGM) of NMDC Limited, which is being organised via video conferencing. Organising AGM through video conferencing have given us an opportunity amidst Covid 19 pandemic challenges to get closer to digitalization. Another advantage is, a larger number of shareholders are able to participate in the AGM from safety of their respective locations. I request all of you with your near and dear ones to stay safe and healthy.

This is my first address to our shareholders since accepting the role as Chairman and Managing Director of NMDC Ltd. I am honoured and humbled to be leading our great company with more than 60 years of rich legacy in responsible mining along with a great team. The Director's Report and the audited Balance Sheet of your Company for the period ended 31st March, 2020 have already been mailed to the shareholders of the Company. With your permission, I take them as read.

To begin with let me delve upon our FY20 performance and the key factors leading to the financial performance.....

As the largest iron ore producer in India we are steadily progressing as an environment friendly miner with a positive thrust on economic and social development of our country. We continue to advance in our mission to acquire and operate various iron ore, coal and other mineral assets in India.

During the year all the five mining leases of Bailadila Iron Ore Mines in Chhattisgarh have been extended.

Under Section-5 of the Coal Mines (Special Provision) Act, 2015 – Ministry of Coal has declared NMDC as successful allottee of Tokisud North Coal Mine (Non Coking Coal) & Rohne Coal Mine (Coking Coal).

CY2019 has been a challenging year for the global as well as Indian economy. Global growth in CY19 recorded its weakest pace

since the global financial crisis a decade ago. This global slowdown has common influences across countries along with country-specific factors. Rising trade tensions and associated uncertainties weighed on business sentiment and economic activities in emerging market economies such as India, Brazil, Mexico, and Russia.

From manufacturing steel components to infrastructure development, steel is the key reinforcing element in the economic growth. In 2019, India had become the second largest crude steel producing country in the world, with a crude steel production of 111 MnT. However, the growth rate was much lower compared to the previous year. In CY19 and Q1 of CY20 the growth in the construction and infrastructure sector weakened due to falling investments in fixed asset formation. Abrupt plunge in the private consumption led to weaker growth in automotive and consumer durables. Adding to that the tighter liquidity conditions impacted credit availability in the manufacturing sector. The unfavourable economic conditions were further impacted due to the onslaught of Covid 19 pandemic and subsequent national lockdown.

As India's largest Iron Ore mining company and as a key stakeholder in the mine to metal value chain, our company was impacted which reflected on our FY20 performance. Turnover of the company for the year under review declined 3.74% year on year as it stood at Rs.11,699 crores as against Rs.12,153 crores in the previous financial. Our margins were also impacted. Profit before tax (PBT) from continuing operations was Rs.6,123 crores compared to Rs. 7,199 crores in the previous financial year 2018-2019 – a decrease of 14.95%. Profit after tax (PAT) was Rs.3,610 crores compared to Rs.4,642 crores in the previous financial year 2018-19 – a decrease of 22.23%. However I am confident of our company improving the performance in the coming quarters as we are taking advantage of all our operational capabilities and pointing our strategies for an improved outcome in FY21.

I have a positive update on the latest developments related to Donimalai mine....

While stepping into Q3 of FY21, we are closer to resuming our mining operations at Donimalai. As most of you are aware, our company has been in discussions with both Government of Karnataka and Government of India on Donimalai Mine lease extension to resolve certain unviable terms in the lease agreement. On 15th of this month the Karnataka Cabinet has cleared our application to start mining operations at Donimalai. This is indeed a positive culmination of the dialogue between our company, Government of Karnataka and Government of India. However, the actual resumption of mining operations in Donimalai mines is expected to be started in the month of October, 2020 which will add production of 5-6 lakh tonnes /month.

Our external Scenario continues to be challenging yet opportunities are clearly visible in the horizon

Our operating environment consists of Iron ore production and demand from the steel industry. India is the 4th largest Iron ore producer in the world. India's iron ore production is estimated to have risen by 17.8 % in FY20, to reach 245.4 MT, owing to the acceleration in mine production from 208.3 MT. However, production in FY21 is expected to come down significantly owing to delays in operationalization of auctioned mines in Odisha on account of the COVID-19. Steel industry and its associated mining and metallurgy sectors have seen major investments and developments in the recent past. According to the data released by Department for Promotion of Industry and Internal Trade (DPIIT), the Indian metallurgical industries attracted Foreign Direct Investment (FDI) to the tune of US\$ 13.40 billion in the period April 2000–March 2020. The growth in the Indian steel sector has been driven by domestic availability of raw material such as iron ore and skilled labour. Consequently, the steel sector has been a major contributor to India's manufacturing output.

Steel has contributed immensely towards India's economic growth. This is evident from the similar growth patterns of India's GDP and steel production in the country, which also highlights the economy's dependence on steel. National consumption of finished steel rose from 6.5 MT in 1968 to 101 MT in 2018, while GDP grew from USD 0.25 trillion in 1968 to USD 2.94 trillion today. Steel-making capacity is expected to reach 300 million tonnes per annum by 2030–31. Crude Steel production is expected to touch 255 MTPA by 2030–31 from 142 MPTA in FY18-19. As a result, per capita steel consumption is expected to rise 160 KG from the current 74.1 KG. This growth will be predominantly fuelled by the increasing consumption in the construction & infrastructure sector and capital goods.

To make these projected steel consumption growth a reality, India's iron ore production needs to increase simultaneously.

In March 2019, the Indian government came up with a new National Mineral Policy (NMP) that replaced the earlier 2008 Policy. NMP 2019 aims to hike mineral production by 200 per cent in seven years and increase the share of mining in India's GDP.

Going Forward

India's steel consumption in first 4 months of FY 2020-21 declined by 42% YoY. India's apparent steel consumption in 2019 was estimated at 101 million tonnes. However during the period steel exports increased. A drop in domestic demand, disruption in supply chain and acute shortage of construction labour led several top steelmakers to export more than 50-60% of their sales volume during May-June period. Iron and steel recorded more than 100% growth in exports during June 2020 with shipments of \$1.32 billion against \$653.52 million in the same month last year. Finished steel production declined by 0.8% in FY20 to reach 101.3 MT, over FY19 when the production stood at 102.1 MT. While, the steel demand in the most developing economies is expected to fall in

FY21, India is likely to face a larger decline in steel demand.

Though the domestic consumption is expected to be impacted in the subsequent months, demand for steel has picked up since August as normalcy is returning in the infrastructure sector, MSME and specialty steel sectors. Government's thrust on rural development is also driving the demand for steel. The trend from August 2020 shows exports of steel decreasing and the domestic demand for steel increasing. As the economy is showing signs of recovery, almost all steel plants have resumed production at an average 75-80 pc of capacity,

Against the backdrop of the increasing demand we are able to increase the domestic prices of Iron Ore for September to a 22-month high as the removal of Covid-19 lockdown restrictions boosts demand.

I am delighted to inform you that since July 2020, we have recorded a rise in overall production and sales as compared to the corresponding period in July 2019, despite the current uncertain situation due to COVID-19. Our company has been able to achieve excellent physical performance through its continual push towards higher volumes which saw production of 2.19 MT and sales 2.57 MT that grew by 13% and 7% respectively over the corresponding period last year. Total production stood at 1.62 million tonnes (MT) in August 2020 compared to 1.41 MT in August 2019. Total sales stood at 1.79 MT in August 2020 compared to 1.49 MT in August 2019.

Further, The Board of Directors of the company has accorded in-principle approval to the proposal to demerge NMDC Iron & Steel Plant (NISP) Nagarnar located in Chhattisgarh.

Technology Upgradation is key enabler for making the mining operations economically competitive...

In line with the vision plan of augmenting its production & evacuation capacity, technological upgradation, diversification & value-added products, our company has taken up many ambitious projects. Some of

the projects have been completed and others are nearing completion. Details of our new projects and technology upgradation initiatives are detailed in our Annual Report.

As I mentioned in the beginning of this address, we are a great team at NMDC....

We continue to progress on our Human Resource Development and Industrial relations..... The human capital of NMDC has been its key asset. The company has made concerted efforts in keeping the workforce highly engaged and motivated through various training programmes. I am delighted to say that our team consisting of 5635 people are completely aligned with our vision to make the company a globally acclaimed iron ore company. We have inclusiveness based human resource development plan driving our Human potential development initiatives.

Corporate Social Responsibility

Contributing to social development is engraved in our vision. Our social objectives are aimed at improving the quality of life of people in general and socio economic environment in and around our mining locations. During the year we spent close to 200 Crores towards various social development activities. Education, Health & Hygiene, skill development and Livelihood developments programmes were the key areas of our social interventions. Particulars of our CSR initiatives are detailed in this Annual Report.

Corporate Governance

Your Company has complied with Corporate Governance norms as stipulated by the SEBI Regulations / DPE Guidelines falling within its ambit. For more details, may refer to Report on Corporate Governance which forms part of Directors' Report.

I would also like to inform you that during this year also, Comptroller & Auditor General of India (CAG) has made NIL observations on the Annual Accounts of the Company for the year 2019-20.

Environment Sustainability

We continue to progress on various environment and energy conservation initiatives in line with our motto – being a responsible miner. During the year 1 MW capacity grid connected Roof Top Solar (RTS) power plants were installed and commissioned at various production units of our company. Under our sustainability development programme, construction of Sewage Treatment Plant with SBR technology at Bachelī at a cost of Rs.6.61 Cr has been constructed. Similar treatment plant at Kirandul at a cost of Rs 8.0 Cr for treatment of domestic effluents is under construction stage. BIOM, Bachelī complex was awarded Greentech Environment Award (Winner) and 4 first prizes and 2 second prizes in various categories including 1st prize in Overall Performance category in Mines Environment and Mineral Conservation Week. Every year Carbon Footprint studies are being conducted for disclosure of Greenhouse Gas Emissions in Carbon Disclosure Project (CDP).

Acknowledgement

I would like to acknowledge that all these have been possible only due to the relentless and dedicated effort and hard work by the

employees of the Company. The Covid-19 Pandemic has added more challenges to NMDC collective and we strive to overcome the same.

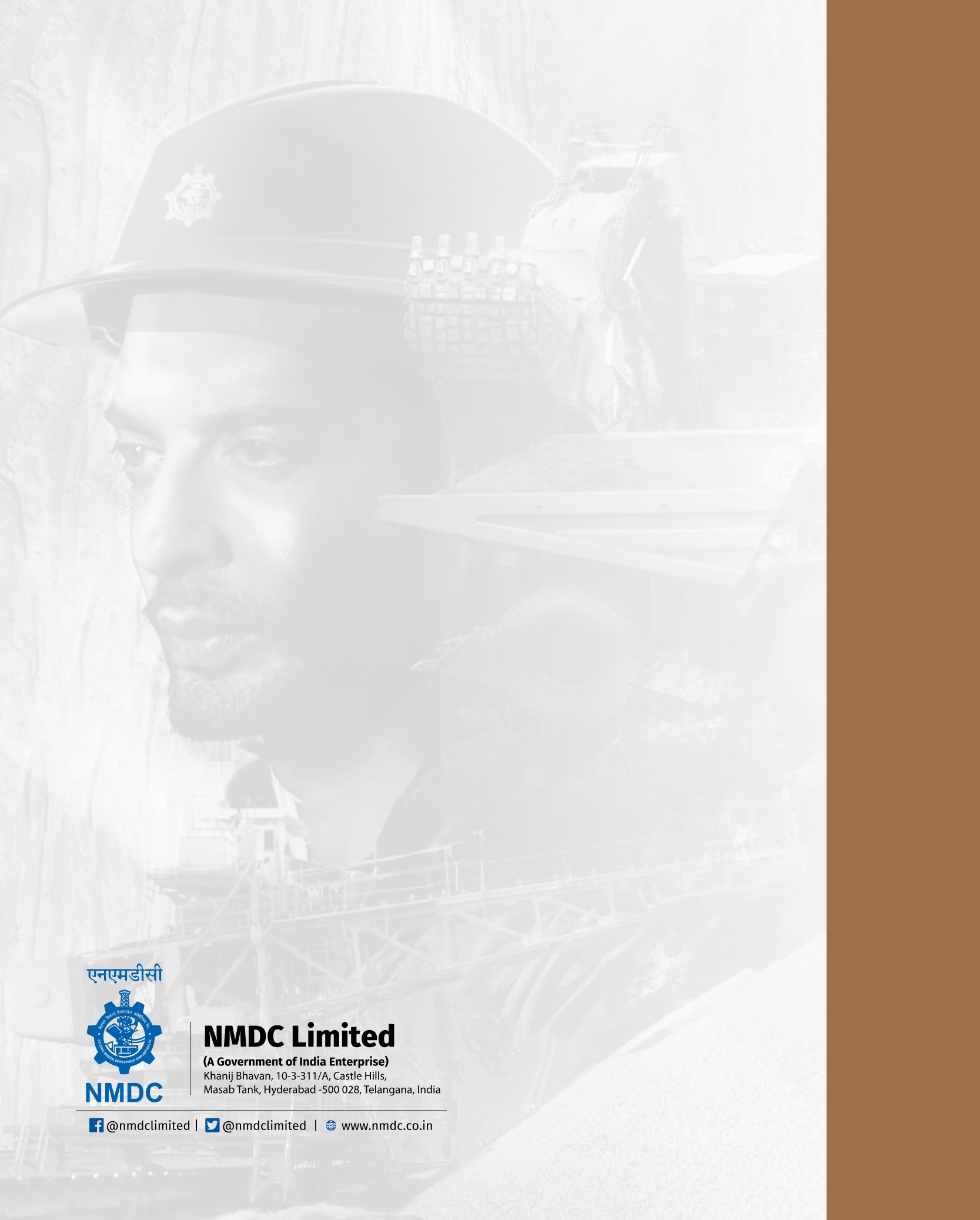
On behalf of the shareholders and management of the Company, I thank the Government of India, Ministry of Steel, State Governments of Chhattisgarh, Karnataka, Jharkhand, Madhya Pradesh, Telangana, Andhra Pradesh, Jammu & Kashmir, Himachal Pradesh, Odisha and other stakeholders for the confidence and trust reposed in your Company.

I also place on record my sincere appreciation and thanks to the Board Members, C&AG, other Organizations and regulatory bodies for their unstinted support, guidance and co-operation extended to NMDC. It will certainly be our endeavour to put in our best efforts for sustained growth, expansion and prosperity of the company benefitting all stakeholders in times to come.

With this I conclude my address. Stay safe. Stay healthy.

Jai Hind

Sumit Deb
Chairman & Managing Director



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NMDC

NMDC Limited

(A Government of India Enterprise)

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