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NMDC

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Amrit Mahotsav

A Commitment to Unearth Value **A Resolve of Steel to Perform**



Chairman's Speech

63rd Annual General Meeting (AGM) 2020-21

#AtmaNirbharBharat

CHAIRMAN'S MESSAGE



Dear Shareholder

Welcome to the 63rd Annual General Meeting of NMDC Ltd.

This AGM is being held through video conferencing in accordance with the circulars issued by the Ministry of Corporate Affairs (MCA) and the Securities and Exchange Board of India (SEBI).

I welcome you all to this AGM and I thank you for staying invested in NMDC Ltd.

I hope you and your close ones have been able to get vaccinated and continue to protect yourself from Covid-19. If the last 18 months have forced us to recognise our vulnerabilities, simultaneously it has given us strength – as individuals and as an organisation to overcome this challenge.

I am proud to share that your company performed exceptionally well under extremely difficult times that we all are fighting collectively.

Your company has been able to achieve this, while protecting the lives of its employees and their families and ensuring it provides all the help it can, to its stakeholders. We have undertaken vaccination drives for employees and their families and extended these to the larger NMDC family of contract associates at all our sites. Through various initiatives we have helped create additional hospital facilities, donated oxygen cylinders, provided medication, diagnosis and essential food items available to local communities who live in some of the remotest parts of the country and distributed thousands of masks, sanitizers to help protect lives.

India's large vulnerable population has borne the trauma of a painful second wave with tremendous resilience. While being able to contain the impact of covid lower than many other countries rocked by the virus, India stepped into FY22 determined to carry out an unprecedented nationwide vaccination drive that will enable a faster economic recovery.

Your company has always maintained a strong operational business model that has consistently created value for all stakeholders. As India's largest merchant iron ore producer answerable to both the Central and state governments, your company has a greater responsibility to deliver.

I feel proud to share, in spite of being a very challenging year, our team has excelled over last year's production and sales.

The start of the year saw downstream industries having to shut down or operate at lower-than-normal capacity reducing demand and slowing economic growth globally. Even the steel demand and supply was affected due to tight lockdowns.

A revival driven by resurgent demand from China, stimulus spending and proactive measures from the Government led to a quick recovery in both international and domestic iron ore & steel demand. As most of you are aware, FY21 has been a landmark year for us with respect to production, sales and turnover. While the resumption of mining at Donimalai Iron Ore Mine of NMDC from 18.02.2021 also contributed, your company achieved its highest ever production of 34.15 MT and sales of 33.25 MT during the year. Do join me in complimenting the respective teams for pulling off this feat this year and operational sites that weren't spared the pain of a tough second wave of this pandemic.

Turnover for the year was Rs 15,370 crores, again the highest since inception, and an increase of 31.38% from the Rs 11,699 crores in the CPLY. A record turnover was also achieved in the fourth quarter of FY21. Profit before tax (PBT) from operations was Rs. 8,902 crores compared to Rs. 6,123 crores in the CPLY – an increase of 45.37%. Profit after tax (PAT) was Rs 6,253 crores compared to Rs 3,610 crores in the CPLY – an increase of 73.21%.

Driven by strategic imperatives NMDC had forayed downstream of the value chain, into pellet and steel. We currently operate a 1.2 MTPA mine- head pellet plant at Donimalai, a 15 MTPA slurry pipeline, linking Bachelu to Jagdalpur, with a beneficiation plant at Bachelu and a 2 MTPA pellet plant at Nagarnar are under construction.

The state-of-the-art, 3 MTPA integrated steel plant at Nagarnar is at an advanced stage of construction and likely to be commissioned in the fourth quarter of this financial year. The plant will produce an impressive array of products viz. HR Plates, API - 5L Quality Plates, HR Sheets, HR Coils, High Carbon Steel, Silicon Steel and Automotive Steel. The Board of NMDC Ltd. and NMDC Steel Ltd. at its 539th meeting held on 13.07.2021 have inter alia approved the scheme of demerger. This decision unlocking value for our shareholders will allow your company to focus all its resources on its strength, that is mining.

Capacity Expansion

We continue to aggressively pursue our initiatives to augment capacity and upgrade operations across our mines with the use of technology. During the year, we commissioned an additional screening capacity of 3 MTPA at Kirandul. Additionally, the screening plant III of Kirandul, the doubling of KK Line between Kirandul and Jagdalpur, the additional screening line and up-gradation of the existing downhill conveyor at Deposit 5 at Bachelu are also progressing as per schedule.

Multiple expansion projects are also being envisaged for various locations that will increase our output and efficiency. The slurry pipeline is expected to be ready by

Q1 of 2023. The company has already awarded ₹ 1,000 crore contract and the laying of the pipeline has begun. For greater details on technology adoption and operational expansion initiatives, I would like you to refer to the Directors' Report.

Information Technology and Digital Transformation

Your company had already initiated IT and digitisation (or digitalisation) of its business, this year it has made it a strategic priority, synergising its efforts to significantly enhance competitive advantage and efficiency. We expect technology, automation and data analytics will reinvent all aspects of our business – from mineral exploration to mining, the processing of ore to the sales and distribution of the product.

In January 2021, your company became the first CPSE to implement the state-of-the-art Enterprise Resource Planning (ERP) solution, SAP S/4 HANA. The implementation project is known as "KALPATRU" has the distinction of being the largest of its kind. Despite Covid-19 challenges, the ERP solutions was planned within a period of 18 months and Go-Live was achieved in 21 months with minimal to near zero disruption to our business activity.

The digital transformation at NMDC includes an exciting fleet management system that is being implemented currently, automatic sampling, vision enhancement systems to avoid accidents under foggy weather that occurs at our Chhattisgarh sites and 3D volumetric laser scanners, all of which will significantly improve not just our productivity but also the safety of our operations.

Mineral Exploration

During FY21, exploratory drilling of 17,712 mts. was achieved, against the MoU target of 17,500 mts. signed with the Centre, establishing additional resources and extending the life of mines. Under MoUs with state governments NMDC will also be prospecting & exploring mineralised areas. Your company continues to study the potential of mineral blocks at locations within and outside the country.

Going forward

Steel demand has shrunk 14.8 per cent sequentially in the June quarter, largely from the impact of lockdowns during the second wave of the pandemic. However, with cases under control and the Government focus on infrastructure and construction sectors, economic activity and steel demand is expected to touch pre-covid days in the coming quarters. The World Steel Association forecasts global demand to climb 5.8% to reach 1.874 billion tonnes in 2021. Demand will further grow by 2.7% in 2022 and touch 1.925 billion tonnes. We expect the recent pricing volatilities in iron ore to stabilise with the increase in global demand for steel.

The pandemic has accelerated some key trends that will bring about a shift in steel demand. The iron & steel industry will see exciting opportunities from rapid developments through digitisation and automation, infrastructure initiatives, reorganisation of urban centres and energy transformation. At NMDC we have the required operational agility to absorb the cyclical volatilities in the iron ore and steel sector and stay ahead on a growth trajectory.

- The Ministry of Coal has allocated two blocks to our company. We expect the coal mines to start commercial operations from Q3 or Q4 of FY22.
- Your company is planning a capital expenditure of ₹ 3,720 crores in FY22.
- Iron ore production of 47 million tonnes (MT) in FY22.

This year NMDC achieved a spectacular performance in Q1 FY 22 with production and sales of 8.91 MT & 9.45 MT respectively -- its best Q1 since inception. Total revenue from operations stood at Rs 6512 crore & PAT at Rs 3193 crore in Q1, which is also the best ever. Most importantly NMDC achieved total production of 15.02 MT & sales of 15.67 MT for the five months up to Aug in the current financial year, which is more than a 50% increase on the production during the first 5 months of last year. With this robust performance and a positive outlook for the iron & steel industry, your company is hopeful of setting new records this year as well.

Human Resources:

At NMDC, our human capital is encouraged to rise to perform and strive for excellence, while in pursuit of the company's business goals. NMDC has fostered a culture that promotes continuous learning, collaboration and talent upgradation for the organization to be future-ready. Capability building of the workforce is achieved by combining formal learning with rigorous on-the-job development, coaching and feedback which has led to executives and workmen improving their performance and advancing their careers in significant ways. Corporate HRD has organized 24 customized training programmes that 624 executives have gone through during 2020-21. Similarly 29 external training programmes were also made available to 181 executives to attend and benefit from.

Social Commitment

NMDC's social capital is built on decades invested in community engagement, building of infrastructure in health and education, and contributions to essential development needs of our host communities. These are continuous efforts that your company carries out with great pride and commitment. Our social objectives are aimed at improving the quality of life of people around our mining operations and their socioeconomic environment. During the year we spent close to Rs 160

crores on various such programmes and interventions in the areas of education, health & hygiene, skill development and livelihood creation. The particulars of our CSR are detailed in the Annual Report as part of Directors' Report.

Environment

As India's largest iron ore miner, your company takes its responsibilities to ensure sustainability of business and environment very seriously. NMDC conducts environmental monitoring studies diligently every year keeping a close watch on pollution control and environment conservation parameters. As part of our sustainability practice, your company also conducts carbon footprint studies, water audits, sustainable mining initiative audit etc.

NMDC has carried out a Reclamation & Rehabilitation (R&R) study as suggested by the Indian Council of Forest Research and Education (ICFRE, Dehradun) in preparation of the Environmental Management and R&R Plan for the Kirandul Complex, Chhattisgarh and in Donimalai Complex, Karnataka. These are under implementation.

A total of 20,000 saplings have been planted during FY 21 in and around our projects. NMDC also contributes to the Government of Chhattisgarh's flagship programme "Hariyar Chhattisgarh", a roadside tree plantation drive being carried out by CGRVN Limited.

Corporate Governance.

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

I would also like to inform that during this year also, Comptroller & Auditor General of India (C&AG) has made NIL observations on the Annual Accounts for the Company for the year 2020-21.

Let me conclude by saying that we continue to enhance and expand our mining capabilities to be a key stakeholder in nation building. The Board of Directors of our company and the entire team at NMDC will continue in its endeavour to create value for all our stakeholders.

Thank you and stay safe.

Jai Hind

Sumit Deb

Chairman and Managing Director

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NMDC

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