Speech delivered by
Shri N Baijendra Kumar, IAS
Chairman-cum-Managing Director
at the 61st Annual General Meeting
on 30th August, 2019

NMDC Limited
(A Government of India Enterprise)
Eco-Friendly Miner
With a strong balance sheet, world-class portfolio, smart and dedicated people across our organisation, we are well positioned to leverage on our opportunities and to create new opportunities. We will continue to drive productivity, and aim to deliver superior value as we satisfy India’s demand for steel.

Dear Shareholders,

I have great pleasure in welcoming you to the 61st Annual General Meeting of the Company and present to you the Annual Report of your Company for the financial year 2018-19.

The Directors’ Report and the Audited Balance sheet of your Company for the period ended 31st March, 2019 have already been provided to the shareholders of the Company. With your permission, I take them as read.
GLOBAL IRON ORE SCENARIO
The year 2019 has been a vital year for global iron ore trade in terms of demand and supply scenario and volatility in iron ore prices. The main reasons for volatility in iron ore market is attributed to following events:-

- Announcement of disruption in supply of about 40-50 Million T in the global market post the Vale incident.
- Natural calamities (Cyclone) in the month of March’19 at Australian Port.
- Fire accidents at Australian port (Port Lambert A).
- Seasonal equipment maintenance activity in Q2 at Australian mines also adversely affects the availability of ore.
- Stoppage of Vale's Brucutu mines and delay in resumption of its wet circuit operations in late June’19.
- As the shipment transit time is usually 45 days the port stocks at China played a vital factor in upward movement of prices also.
- Despite the Chinese Gov't's initiatives to curb pollution, the Chinese Steel output has risen by 9% in June’19 over June’18 and total production of Crude steel of 488 Million T till Jun’19 is higher by 9% over CPLY production of 449 Million T. (Source: World Steel Association)
- The correction seems to have set in and the prices in the spot prices have already started showing sharp drops since last week of July’19. The CFR prices of 62% Fe Fines as on 13th Aug’19 have dropped to USD 88.50/ DMT from USD 118.35/DMT on 31st Jul’19.

DOMESTIC IRON ORE SCENARIO
- India is the 4th largest producer of Iron ore after Australia, Brazil and China producing about 210 Million T of Iron ore in FY 2018-19 (Yearly increase of about 4%).
- Of the total production, captive miner’s production is around 36% (75 Million T) & Non captive 64% (135 Million T) in FY 2018-19.
- Bulk of the increase in iron ore production is coming from Odisha state (about 115 Million T in FY 2018-19 yearly increase of 10 %)
- NMDC is India’s single largest iron ore producer (32.4 Million T in FY 18-19) with a market share of 24% in merchant mining and 15% in total India's production (including captive) for FY 18-19, a drop of 3% Y-O-Y in market share was due to the suspension of mining activities in NMDC's Donimalai mines in Karnataka (having production capacity of 7 Million T per annum).
- About 334 mines (49 working and 245 non-working) are due for renewal in year 2020. Among them, 16 iron ore mines are currently operative in Odisha with a combined production capacity of about 55-60 Million T.

OVERVIEW OF PERFORMANCE FOR FY 2018-19
During the year under review, NMDC has achieved iron ore production and sales of 32.4 million T respectively and Profit After Tax (PAT) of ₹4,642 crores. Net-worth of your company was ₹25,952 crore as on 31st March 2019. The Company has declared Dividend@ 552% i.e. ₹ 5.52 per share for FY 2018-19 involving an outgo of ₹1,690 crore.

In the year under retrospect, NMDC performed exceedingly well in most of the parameters despite suspension of operations at Donimalai mines. It is heartening to note that your company stands firm in difficult situation and other projects of the company responded well to achieve such a performance with the help of all stakeholders.

As you all are aware that the lease of the Donimalai mine was extended with a premium of 80%. In this regard, the Hon’ble High Court of Karnataka in its judgement dated 10th July 2019 has passed the order setting aside the condition imposed by State Govt for levying 80% premium on the average sale value for renewal of mining lease. However, Government of Karnataka vide its letter dated 17.08.2019 has inter-alia, communicated that they have withdrawn the approval accorded vide letter dated 02.11.2018 and Corrigendum dated 15.11.2018 to extend the mining lease period of NMDC Ltd., bearing ML. No. 2396 at Donimalai and auction the said block. In this regard, NMDC filed a Revision Petition on 19.08.2019, before The Hon’ble Mines Tribunal, Government of India, New Delhi challenging the Order / Letter dated 17.08.2019 issued by Govt. of Karnataka withdrawing the extension of Mining Lease No.2396 of Donimalai.
Chairman’s Speech

Iron Ore Mine. The Hon’ble Tribunal heard the submissions made by NMDC on 21.08.2019 and ordered as under: “Accordingly the impugned order dated 17.08.2019 and any consequent action thereon are stayed until the next date of hearing”. The said Stay Order would prohibit Government of Karnataka to take any further action regarding mining lease or initiate auction process of Donimalai mine. In respect of Common Cause Judgement, status quo remains on the Show cause notice received by Bailadila Projects from Dist Collector with respect to compensation of ₹7,241.35 crore. Legal Advice continues to suggest ‘no impact’ on Company.

NMDC has emerged as preferred bidder for Gold Deposit at Chigargunta-Bisanatham, Andhra Pradesh through auction. This is the first lease in which NMDC is declared as preferred bidder in auction process.

BUYBACK OF EQUITY SHARES
Your company undertook buyback of equity shares which was completed during the year under review. Buyback of about 10.20 crore equity shares of Re.1/- each was carried out @ ₹98/- per share under tender route involving an outgo of around ₹1,000 crores.

VISION 2025
To meet the growing requirement of iron ore by the Indian Steel Industry, your company has made plans to increase its production capacity to 67 million tonnes per annum. The strategy focuses on growth largely through brown field expansion of existing mines and improving evacuation along with it. Development of green-field mine (Deposit 13) which has been planned through Joint Venture with the Chhattisgarh State Mineral Development Corporation, for which MDO has already been appointed, will add a capacity of 10 MTPA in next 4-5 years.

NMDC firmly believes that its vision “to emerge as a global environment friendly mining organization” can be achieved by developing and integrating practices that reduce the environmental impact of mining operations.
For further expansion of capacity, NMDC is pursuing allocation of new iron ore deposits both through participation in auction and government dispensation route (Section 17 A (2A) of the revised MMDR Act, 2015). NMDC is also participating in auction for new leases.

SUSTAINABILITY INITIATIVES
NMDC has also published its 2nd Sustainability Report for 2017-18, prepared based on Global Reporting Initiative (GRI) standards, steering in a new determination in the organization to take Sustainable Development to greater heights by leveraging the decades of relentless efforts undertaken.

ECO FRIENDLY MINER
NMDC firmly believes that its vision “to emerge as a global environment friendly mining organization” can be achieved by developing and integrating practices that reduce the environmental impact of mining operations. NMDC ensures implementing eco-friendly practices such as minimizing land disturbance, minimizing waste production, preventing soil erosion, air and water pollution and optimize water and energy consumption.

In the FY 2017-18 and 2018-19, a total amount of ₹73 Cr was spent towards Environmental Improvement works which has resulted in laying of Geo-textile up to 53,150 square meters for prevention of soil erosion, construction of garland drains up to 1,520 meters for arresting silt laden rainwater, construction of retaining wall up to 36,542 square meters, construction, repair and desilting of check dams. A total of 1.2 Lakh saplings have been planted in and around NMDC projects. Five mines of NMDC received 5-star rating accorded by IBM, Ministry of Mines, GoI. Since 2016, NMDC has contributed ₹55 Cr towards CG State flagship programme “Hariyar Chhattisgarh”. Apart from this, between year 2011 and 2016, NMDC has contributed ₹34.37 Cr to CG Govt. towards road side plantation.

ON-GOING PROJECTS:
(a) 3-MTPA Steel Plant at Nagarnar, Bastar, Chhattisgarh
The progress of construction of the steel plant during the year 2018-19 is noticeable and various packages are at construction completion stage. Cold trial of individual equipments under various packages are in progress. The steel plant is scheduled to be commissioned in three phases and is expected to be operational by third quarter of FY 2020-21. Operational power supply line is already energized and power was made available to various units of steel plant. Rail connectivity to the plant premises for initial traffic movement of material is in place.

At present, overall site progress of civil works, structural erection and equipment erection are respectively at 95%, 92% and 78%.

(b) Projects / Schemes for capacity expansion
Donimalai Complex
For capacity expansion of loading plant in Donimalai sector, additional stacking & loading facility of 7 MTPA capacity is envisaged. Further, remodeling of existing Ranjitpura Railway yard is planned for augmentation of rail despatches.

(c) Projects / Schemes to enhance evacuation capacity
Kirandul Complex
To augment the evacuation capacity from Bailadila sector, many expansion projects & schemes are taken up such as doubling of existing KK line, Rowghat-Jagdalpur new rail line, Slurry pipe line etc. including upgradation of crushing, screening and loading capacities.

During FY 2018-19, 9.2 kms line between Silkajhori and Kumharsodra (Section-III) was completed and opened to traffic. Works are in progress in other reaches of both Section-II & Section-III and are scheduled to be completed by FY 2020-21.
Further, Doubling of KK line between Jagdalpur and Ambagaon (25 Kms) is also taken up through Customer Funding Model agreement. Work completed during FY 2018-19 and opened to traffic.

**AUGMENTATION OF PRODUCTION CAPACITY**

NMDC's current mining capacity is 43 million tonnes. As it stands, we are already India's largest Iron Ore producer. Going forward, we are targeting substantial increase in mining capacity from 43 MT to 67 MT.

**MEETING THE DEMAND OF DOMESTIC IRON & STEEL INDUSTRY**

NMDC is making all the efforts to fulfill iron ore requirement of domestic iron & Steel sector and taken lot of initiatives like:

- **Augmenting Evacuation capacity:** To increase the evacuation capacity from Bailadila sector NMDC has taken up doubling of Kirandul-Jagadalpur Railway line which will reduce the total turnaround time for Rakes in-turn will improve availability of Rakes, also. NMDC is also constructing a slurry pipeline from Bailadila to Jagadalpur and further to Vishakhapatnam (with a capacity of 15 Million T per annum).

- **New product (10-20 mm from Bailadila sector):** To meet the growing demand of sponge iron industries in Bailadila sector (C.G) sale of new product (Sized lump ore 10-20 mm) started in the month of March’19, which is a direct feed material for sponge iron plants and have a good demand.

- **Use of low-grade ore (Slime):** NMDC has started production of Pellets from its 1.2 MTPA Pellet plant in Donimalai sector by utilizing iron ore slimes and sold about 1.15 Lakh T of Pellets during FY 18-19.

- **Expanding Customer base:** In order to broaden customer base, NMDC inducted new customers while retaining the existing ones. Further in addition to sale to LT customers, e-auctions are also being conducted regularly in Bailadila sector to cater to the needs of Non-LT customers.

- **Development of intermediate stockpile:** NMDC is developing intermediate stockpile to accommodate about 5.0 Lakh T of iron ore cargo at Kumarmaranga (Chhattisgarh), which is likely to commence in current financial year. Intermediate stockpile will facilitate to enhance evacuation capacity and to take care of disruptions caused by heavy rains during monsoon season and night movement restriction etc.

All these efforts have resulted in strong fundamental growth for NMDC during FY 2018-19 and the above initiatives will help NMDC to achieve future targets.

**GLOBAL INITIATIVES AND BUSINESS DIVERSIFICATION:**

NMDC aspires to broaden its product portfolio in order to meet the needs of the nation as well as to broad-base its operations. One of the objectives of the Strategic Management Plan formulated by NMDC specifies diversification into strategic and critical raw materials required by the nation and other commodities based on growth potential and relevance to NMDC.

NMDC has Mining Lease (ML) of 38.83 km$^2$ at Bulyang’Ombe, Tanzania. NMDC is in the process of making detailed exploration & setting up of a pilot-scale processing plant for gold in its mining lease in Tanzania. Recently company has appointed an agency for detailed exploration & work has been started.

Legacy Iron Ore Limited Company based in Perth, Australia, in which NMDC has 78.6% equity stake, is carrying out exploration in its 21 exploration tenements in Iron Ore, Gold, base metals & Tungsten. In July 2018, Legacy has been awarded with 3 Tungsten exploration tenements. Legacy has plans to complete feasibility study of one of the promising gold tenement and bring it to pre-production level, if found feasible.

As you are aware, ICVL, a JV company of SAIL, RINL and NMDC made acquisition of a coking/thermal coal mine in Mozambique in 2014. ICVL has produced about 1 MT of coking coal in FY’19 and is making operational profits.

**Special Purpose Vehicles (SPVs)**

The National Steel Policy 2017 also envisions green-field capacity additions through facilitating mechanism of Special Purpose Vehicles (SPVs). As per government guidelines, NMDC had created two steel SPVs in state of Karnataka & Jharkhand.
Company has kept the projects on hold, in absence of allocation of any suitable iron ore deposit for linkage for steel plant. NMDC is in discussions with Government of Jharkhand regarding allocation of iron ore deposit.

CORPORATE SOCIAL RESPONSIBILITY (CSR)
Overcoming all odds, NMDC has held its own in the area of business in 2018-19. But this has not made NMDC lose sight of its responsibility, as a responsible and forward looking Corporate Citizen. The Company has ventured well beyond the narrow confines of statutory provision in making its contribution to the needs of its stakeholders and serve the cause of Nation building.

It is with a sense of pride that I inform the assembled shareholders that NMDC has been conferred the coveted S&P Platts Global Metal Awards, 2019 in London on 17.05.2019 in the CSR category for the 2nd consecutive year, the first Indian Corporate entity to do so. This recognition is yet another vindication of its steadfast commitment to the philosophy of inclusive growth, being an essential element of corporate growth.

It is also evident from the fact that NMDC has spent ₹167.24 Crore in the Financial Year 2018-19, which constitutes 3.44 % of average PBT for the preceding three years. This more than anything else, signifies NMDC’s solemn commitment to its stakeholders.

Needless to state here that besides continuing & strengthening its ongoing CSR initiatives, NMDC has taken a few trend setting activities like the promotion of education by operating 500 Single Teacher Schools in the area around NMDC Projects in Chhattisgarh over a period of five years, extending financial assistance for the purchase of seven Buses for the benefit of the Students availing educational facilities at an Educational Complex, in Narayanpur District, which is one of the acutely Left Wing Extremism affected areas in the Country, Skill Development initiatives in the trades of Domestic Electrician, Wood craft (Design) & Industrial Garmenting and construction related skills for the benefit of socio-economically disadvantaged youth around NMDC Projects. to name a few.

Being a compassionate Corporate, NMDC is always awake and attentive to the call of the needy in other parts of the Country too. NMDC has joined hands with other Steel Companies under the leadership of the Ministry of Steel in taking up various healthcare & hygiene oriented developmental initiatives in Nuh (Mewat) District Haryana, one of the 115 Aspirational Districts in the Country, identified by NITI Aayog. Besides this, NMDC has come to the aid of Kerala by agreeing to assist in the reconstruction of two Primary Health Centers destroyed in the catastrophic Aug 2018 floods and extended an amount of ₹10 crores for the disaster relief and rehabilitation work in Karnataka in August 2019.

I think that the assembled shareholders will wholeheartedly agree with me, when I state that NMDC, having benefited from nature's boundless bounties, is obliged to display and deliver boundless assistance to our compatriots in need and underprivileged.

CORPORATE GOVERNANCE
Your Company has complied with Corporate Governance norms as stipulated by the SEBI Regulations/DPE Guidelines.

I would also like to inform you that during this year also, Comptroller & Auditor General of India (CAG) has made NIL comment observations on the Annual Accounts of the Company for the year 2018-19.

OUR PEOPLE
Your company is proud to have a talented, dedicated, knowledgeable, experienced and strong workforce, which is our biggest asset. The workforce with its collective knowledge and talent handled all the challenges successfully and took the company to newer heights. With this biggest strength, I am confident that your company will excel in every endeavour it takes up in future.

RECOGNITION OF EXCELLENCE
Your Company continued to earn awards and recognition from different quarters, the full details of which is mentioned in the Directors’ Report.
ROAD AHEAD
I am pleased to inform that the 1st quarter of 2019-20 has witnessed a spectacular growth both in physical and financial performances. Iron ore production in Q1 is 8.43 MT against 6.98 MT in Q1 of 2018-19, registering a growth of 21%. Similarly, iron ore sales has increased from 6.78 MT in Q1 of 2018-19 to 8.67 MT in Q1 of 2019-20, witnessing a growth of 28%. This is the best ever performance since inception for Q1 (excluding Donimalai which was non-operational in Q1 FY 20). The sales turnover for the Q1 of 2019-20 is ₹3,264 crore which is 35% higher than the CPLY which was ₹2,422 crore. In absolute terms, this is the best result in last 5 years and if revenues from Donimalai are excluded, this is the best ever turnover for Q1 since inception. PBT & PAT for Q1 of 2019-20 is ₹1,913 Crore and ₹1,179 Crore respectively which is 30% and 21% more than Q1 of 2018-19, i.e. ₹1,477 Crore and ₹975 Crore respectively.

Taking into account the demand and supply factors, we need to appreciate that global iron ore industry would be in a surplus scenario in the coming years, putting prices and margins under stress. Fortunately for us, India’s steel industry is poised for an impressive growth in the years to come, which would certainly translate into higher consumption of iron ore domestically.

NMDC needs to be geared up for this opportunity and work on an aggressive growth plan. Acquiring new leases for expansion for enhanced presence of NMDC across the country is vital, for which your company would be making all-out efforts. Simultaneously, NMDC needs to continuously focus on strategies enhancing customer satisfaction, cost-competitiveness, more & more use of technology for higher production & productivity, etc. for its long-term sustained growth.

With a strong balance sheet, world-class portfolio, smart and dedicated people across our organisation, we are well positioned to leverage on our opportunities and to create new opportunities. We will continue to drive productivity and aim to deliver superior value as we satisfy India’s demand for steel.

ACKNOWLEDGEMENT
To conclude, 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.

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 and other Organizations and Institutions 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.

Thank you and Jai Hind.

N. Baijendra Kumar
Chairman-Cum-Managing Director

Place: Hyderabad
Date: 30th August, 2019