

## **Dear Shareholders,**

Good morning, ladies and gentlemen. I have great pleasure in welcoming you to the 57<sup>th</sup> Annual General Meeting of the Company. I take this opportunity to apprise you about the Company's performance in the Financial Year 2014-15 and also share our plans for the future.

Let me begin by sharing a few very heartening facts about NMDC. Defying the market trend, your company has achieved record production and sales during the year. Company's Turnover, PBT and PAT was higher than the previous year and the Net worth of the company registered a new high of Rs. 32, 326 crore.

For the first time in the corporate history of NMDC, the Net Worth has surpassed the Rs. 30,000 crore mark.

## **WORLD ECONOMY**

Let me now put things in perspective, by briefly describing the world economic environment that impacts the performance of your company as well.

The world economy is projected to grow at 3.3% in 2015, which is marginally lower than the 2014 growth rate of 3.4%, with a gradual pickup in advanced economies and a slowdown in emerging market and developing economies.

Growth in emerging markets and developing economies is projected to slow from 4.6% in 2014 to 4.2% in 2015. This is due to various factors such as lower commodity prices, tighter external financial conditions, structural bottlenecks, rebalancing in China, and economic distress related to geopolitical factors.

## **INDIAN ECONOMY**

The financial year 2014-15 (FY15) saw gradual improvement in the growth outlook of our country. Several factors supported this, which include, government's firm commitment towards fiscal consolidation, improved policy environment and political stability.

Further, the sharp fall in international commodity prices has had a positive effect on growth, easing of inflationary pressures and lowering of current account deficit.

In FY15, India's GDP is estimated to have grown by 7.3%, well above 6.9% clocked in FY14. Projection for India's GDP growth during the current year i.e. 2015-16 is also encouraging with RBI assessing it to be about 7.4%.

## **THE INDUSTRY**

Total world crude steel production was 1,665 million tonnes in the year 2014, up marginally by 1% as compared to 2013.

Global steel capacity has gone up significantly over the past decade and is now in excess of 2 billion tonnes per annum. Almost one-fourth of this capacity is presently surplus which has impacted the price of steel and subsequently, iron ore and coking coal, the major steel making raw materials.

Global iron ore production is also facing a similar oversupply scenario. Due to the world-wide subdued steel demand, global iron ore prices have seen a downward trend in FY15. The pressure on steel prices is likely to continue in the near future, which has been forecasted for iron ore also.

With crude steel production of 88.25 million tonnes, domestic steel industry registered a growth of 8% during 2014-15 over the previous year. India remained the 4<sup>th</sup> largest steel producer in the world during 2014 and during the first 8 months (January-August) of 2015 has become the 3<sup>rd</sup> largest producer of crude steel, surpassing the USA.

Worldwide production of iron ore during 2014 was about 2 billion tonnes, out of which India's contribution was about 130 million tonnes. In FY15 your company produced about 23% of India's iron ore, out of which 92% was sold in the domestic market.

### **OVERVIEW OF PERFORMANCE FOR FY 2014-15**

Amidst a challenging environment, it is heartening that the demand of NMDC's iron ore remained encouraging, primarily due to higher domestic demand for quality iron ore. It gives me great pleasure to share with you once again that defying the market trend, your company was able to achieve record production and sales during the FY 15.

We achieved highest ever iron ore production of 30.4 MT and iron ore sales of 30.5 MT during the year, crossing the 30 MT barrier for the 2nd year in succession.

### **FINANCIAL PARAMETERS DURING 2014-15**

- A record turnover of Rs. 12,356 crores was achieved during the year under review.
- Profit Before Tax (PBT) at Rs. 9,768 crores and Profit After Tax (PAT) at Rs 6,422 crores was also higher than the previous year, which was indeed creditable given the subdued market conditions.
- Highest ever Net Worth of Rs 32,326 crores as on 31<sup>st</sup> March 2015 was achieved, which was 8% higher than Rs 29,983 crore as on 31<sup>st</sup> March 2014.
- The company declared a dividend of 855% for FY15 in three tranches.

Total dividend amount of Rs.3,390 crores was declared by your company during the year, which included Rs. 2,712 crore to the Government of India. This is the highest quantum of dividend declared by the company since inception.

- Capital expenditure of Rs.3,136 crore was incurred which is once again the highest since inception.

### **VISION 2025**

Even though world iron ore supply exceeds demand, with the government's thrust on nation's infrastructure development we are confident of the growth of the Indian steel industry in the years to come.

To meet the enhanced iron ore requirement of the country in the coming years, your company has finalized a long-term strategic management plan, 'Vision 2025' that chalks out an aggressive Growth Agenda of increasing Iron ore Mining capacity to 75 MTPA by FY19 and 100 MTPA by FY22.

The other thrust areas identified in the 'Vision 2025' are:-

- To strengthen exploration and forward-integrate to value added business such as Pellet and Steel.
- Strategically diversify into other commodities based on growth potential, relevance to NMDC and significance to the country.
- Invest in other geographical areas selectively, based on mining potential and business environment.

To accomplish the growth agenda, NMDC has also chalked out action plans to make strategic transformations in identified thrust areas such as Business, Operations, Sustainability, Capital Projects, Human Resource and IT.

Importantly, in order to keep itself equipped to deal with the challenges of achieving the envisaged massive growth plan, the company has been undertaking several HR initiatives for competence building and developing a leadership pipeline.

## **NEW PROJECTS & BUSINESS DIVERSIFICATION**

### **3-MTPA Steel Plant at Nagarnar, Chattisgarh**

As a part of its diversification programme, your company is setting up a 3 MTPA green-field steel Plant at Nagarnar that will produce 3 million tonnes of HR Coils annually. The site is located 16 kms from Jagdalpur town and is well connected by road, rail and port.

The state-of-the-art Plant, using environment friendly technology, is being setup at an investment of ₹15,525 crore. This Plant will have the distinction of having India's largest Blast Furnace of 4500 m<sup>3</sup>.

All statutory approvals for the construction of the Plant have been obtained. Work orders for about Rs. 14,800 crore have been awarded, which include important technological and auxiliary packages.

Expenditure of Rs. 7,730 crore has been made up to August 2015. Construction work is going on in full swing at the site. The Plant is expected to start its sequential Hot Trials by December, 2016.

### **Bailadila Deposit 11B, Kirandul Complex:**

NMDC takes pride in sharing that it has developed 11B Project, one of the new iron ore projects located in Bailadilla, Dantewada District, Chhattisgarh, having a production capacity of 7 Million Tonnes of Iron Ore Per Annum at a capital outlay of Rs. 607 crores.

The unique feature of this Project is a 3.5 km long single flight regenerative downhill belt conveyor with horizontal and vertical curves.

### **Kumaraswamy Iron Ore Project, Karnataka:**

During the year, another major project of setting up an additional 7 MTPA Iron Ore Mine in Kumaraswamy, Bellary District has been completed at a capital outlay of Rs 899 cores, which will augment your Company's production in Donimalai region of Karnataka.

An important feature of the Project is the regenerative single flight downhill conveyor with horizontal and vertical curves over a length of 5.2 kms.

This is a unique triangular profile conveyor with the maintenance trolley mounted on the conveyor itself that travels throughout the length of the conveyor.

The integrated load trial of the Plant was started on 29<sup>th</sup> August, 2015 and the Plant was inaugurated by Secretary, Steel, Govt. of India on 15<sup>th</sup> September, 2015.

### **Donimalai Pellet Plant, Karnataka**

To utilize Slimes and to add value to iron ore fines obtained from Donimalai mines by converting these to Pellets, and to prolong the life of the existing Tailing Dam at Donimalai mines, NMDC has taken up the construction of a 1.2 MTPA Pellet Plant at Donimalai with a capital outlay of Rs. 572 Crore.

Integrated Load trials of the Plant have been started and production of Green Pellets has commenced from 29th June 2015.

### **Screening Plant – III, Kirandul Complex:**

NMDC is setting up the third Screening Plant (SP-III) for augmentation of screening, stacking and loading facilities at Kirandul complex to process 12 MTPA of ore. The estimated capital expenditure on these facilities is Rs. 951 Crore.

The final clearance for change of land use pattern for installation of SP-III has been received from MoEF on 10<sup>th</sup> April, 2015.

### **Slurry Pipeline Project:**

To increase evacuation capacity and utilization of iron ore fines and slimes from the Bailadila sector, NMDC is in the process of constructing a 15 MTPA Slurry pipeline from Kirandul to Vizag. I am happy to share that your Company signed an MoU with Chhattisgarh State Government on 9<sup>th</sup> May, 2015, in the presence of the Hon'ble Prime Minister of India and the Hon'ble Chief Minister of Chhattisgarh.

This Project is envisaged to be executed in two phases - from Bacheli to Nagarnar at an estimated capital outlay of Rs. 4000 crore, and Nagarnar to Vizag at an estimated capital outlay of Rs. 6000 crore. Phase-I activities have already been initiated.

## **GLOBAL INITIATIVES**

NMDC aspires to broaden its product portfolio in order to meet the needs of the nation as well as to broad-base its operations. NMDC's corporate conviction has been that what is good for the country is also good for NMDC in enhancing its enterprise value. NMDC is therefore, pursuing various overseas acquisition opportunities and new technologies in iron ore, coal, manganese and fertilizer minerals.

### **Joint Ventures Abroad**

The Company has invested A\$12.11 million in Legacy Iron Ore Limited through subscription to its rights issue and thereby increased its equity stake in this company to 78.5%.

Legacy Iron Ore has a portfolio of 21 tenements in iron ore, coal and base metals and exploration is continuously being carried out in these tenements.

In addition, NMDC has a JV with Kopano in South Africa for scouting of suitable mineral deposits in South Africa.

### **Strategic Investment in ICVL**

As shared with you earlier, ICVL, a JV company of SAIL, RINL and NMDC made a landmark acquisition of a large coking/thermal coal mine by taking over Rio Tinto's operating coal mine and processing plant in Mozambique, having an estimated resource of 2.6 billion tonnes of coal.

The operations of the mine has been taken over by ICVL and supplies of 3.78 lakh tonnes of hard coking coal has been made from this source in 2014-15 to steel plants in India and abroad.

This Mozambique mine of ICVL is envisaged to provide much-desired long-term security of coking coal supplies to Indian steel companies.

### **Special Purpose Vehicles (SPVs)**

Government of India has charted a road map to augment India's steel production to 300 MTPA in the next decade. To fulfill this vision, green-field steel plants are being promoted through Special Purpose Vehicles (SPVs) in mineral rich states of Chhattisgarh, Jharkhand, Karnataka and Odisha.

I am happy to share with you that NMDC is spearheading the initiative to set up steel SPVs in Karnataka & Jharkhand.

The Steel SPV at Karnataka has already been incorporated as Karnataka Vijayanagar Steel Plant in December 2014 and land acquisition process is at an advanced stage.

Your company is also setting up a Steel SPV in Jharkhand and discussions are going on with the state government for identifying a suitable location.

In Chhattisgarh, NMDC is partnering with SAIL to incorporate the Steel SPV. For providing the critical iron ore linkage for the Steel SPVs, NMDC is partnering with the respective State Mineral Development Corporation to set up Mining JVs. Efforts are being made for allocation of prospective iron ore blocks to the mining JVs.

Your Company has also signed an MOU to develop the Railway link between Jagdalpur and Rowghat through a JV Company in which NMDC has the leading stake of 43% along with IRCON, SAIL and Government of Chhattisgarh.

This Railway link besides facilitating expansion of the customer base of iron ore and finished steel in central and western part of the country, will also serve to draw the relatively backward Bastar/Dantewara region into the mainstream.

### **CORPORATE SOCIAL RESPONSIBILITY (CSR)**

At NMDC, Corporate Social Responsibility is not a statutory requirement to be fulfilled but a deep rooted commitment to the societies it operates in; these are mainly remote and backward tribal areas.

NMDC's CSR seeks to contribute in all key aspects of Human Development Indicators, such as employable skill development, education, healthcare, sanitation, drinking water and infrastructure development. These initiatives are taken in consultation with a wide spectrum of stakeholders, including the local populace and the respective state administration.

I am happy to share that your company's CSR Policy has been lauded by the Department of Public Enterprises (DPE) as a model worthy of emulation by other PSUs.

During FY15, an amount of Rs. 189crores was spent on various CSR activities. I am happy to announce that the CSR budget earmarked for 2015-16 is a record Rs. 298 crore that validates the Company's commitment towards its CSR obligations.

I take this opportunity to highlight some of the major initiatives of NMDC on the CSR front in FY15:

- NMDC has established an 'Education Hub' in one of the most remote areas of the country - Geedam, Dantewara region - to uplift local folk.

This Education Hub comprises a Polytechnic College, residential schools for the naxalite affected children (Aastha Gurukul) and schools for differently-abled children. Around 2000 children are benefitting from the facilities set up here.

The Hon'ble Prime Minister visited the 'Education Hub' and was highly appreciative of the latest facilities made available by your Company.

- NMDC was at the forefront of taking the initiative to construct toilets in schools under the Government of India's flagship programme '**Swachh Bharat**'. More than 2000 toilets were constructed by your company in various schools, mostly across the Bastar region.

- NMDC operated '**Hospital on Wheels**' service in Bailadila region benefitting about 40,000 tribal villagers during the year by providing free medical care facilities at their doorsteps.
- Initiatives such as construction of Gaurav Path (a 4 way lane) in Dantewada, electrification work in 67 villages in Bastar and construction of Community Centres in 30 villages in Bastar are also being carried out by NMDC.

## **CORPORATE GOVERNANCE**

Your Company has complied with Corporate Governance norms as stipulated by the Listing Agreement/DPE Guidelines.

I would also like to inform you that the CAG has not made any observations on the Annual Accounts of the Company for the year 2014-15 and has issued "Nil Comment" certificate. This is the 8th year in succession that the company has received "Nil Comment" certificate from the CAG.

## **ENVIRONMENT MANAGEMENT**

To continue to be a responsible miner with respect to Environment Management, your Company is in the process of implementation of Integrated Management Systems (IMS) like ISO 9001:2008; ISO14001:2004; OSHAS 18001:2007 and SA 8000:2008 standards in respect of all major production projects of NMDC.

The company is organizing environmental monitoring studies at all the production projects by engaging MoEF recognized laboratories. Their findings indicate that your Company's emission of polluting gases, at all its production projects, is well within the prescribed limits as per MoEF / and State Pollution Control Board Standards.

## **RECOGNITION OF EXCELLENCE**

Your company continued to earn laurels from different quarters as detailed in the Directors' Report. However, I would like to mention a few significant awards conferred upon the company in FY15. These are:-

- **National Safety Award (Mines)** to Bacheli Complex, Bailadila Iron Ore Mine for the longest accident free period from **His Excellency, the President of India, Shri Pranab Mukherjee**.
- NMDC was recognized as the **world's best mining** company by Platts which conferred the **Global Metal Award 2015** on NMDC at a grand ceremony at London.
- Dalal Street Investment Journal's '**Most Efficient Navratna of the Year**' in the Non-Manufacturing category.
- **Top Indian Company Award 2015** from **Dun & Bradstreet** in the Mining – Metals & Minerals category.
- Dainik Bhaskar's **India Pride Award-2015** in the Metals & Minerals and Trade category.
- India Today Group's **Most Valuable Company Award** in the PSU Navratna Category.
- **BT Star PSU Excellence Award** in the Navratna Category.

## **THE JOURNEY AHEAD**

We need to appreciate that new market fundamentals are in place for various commodities, including iron ore. In this scenario, it is of paramount significance that we focus on product quality, ensure reliability of supplies, improve customer orientation and most importantly, remain competitive in the global environment.

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. To be ready for tomorrow, NMDC has already formed an aggressive growth plan.

Simultaneously, strategies for long-term sustained growth through various initiatives, like pro-active pricing policy, attracting new customers while retaining existing ones, collaborating with reputed companies for mining in minerals other than iron ore, such as, tungsten, titanium, fertilizer minerals and gold, are being put in place.

## **ACKNOWLEDGEMENT**

To conclude, I would like to acknowledge that all these achievements have been possible only due to the relentless and dedicated effort by employees of the Company who have provided the cutting edge to the organization.

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, Uttar Pradesh, Andhra Pradesh, Jammu & Kashmir, Himachal Pradesh, Odisha and other stakeholders, for the confidence and trust reposed in your Company.

I place on record my sincere thanks to the Board Members and other Organizations and Institutions for their unstinted support, guidance and co-operation extended. It will certainly be our endeavor to put in our best efforts for continued growth, expansion and prosperity of the organization.

**Thank you and Jai Hind.**