



No. CS/56-AGM/2014

30.09.2014

The Stock Exchanges
(BSE, NSE, DSE, CSE
MSE, Bg.SE)

Sir / Madam,

Sub:- Chairman's Speech at 56th Annual General Meeting.

Please find herewith enclosed a copy of the Chairman's Speech delivered at 56th Annual General Meeting held at Hyderabad on 29.09.2014.

Thanking you,

Yours faithfully,
for NMDC Limited

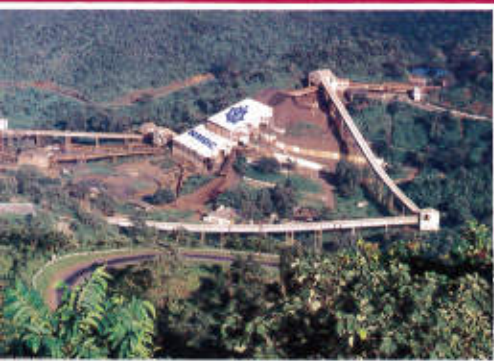
(Mohd. Imam)
Joint Secretary

Encl:- As above.

o/c

Chairman's Speech

56th Annual General Meeting



NMDC Limited

(A Govt. of India Enterprise)

Regd. Off : 10-3-311/A, Castle Hills, Masab Tank, Hyderabad - 500 028.

CIN : L13100AP1958GOI001674

Eco-friendly Miner

www.nmdc.co.in



Dear Shareholders,

I have great pleasure in welcoming you all to the 56th Annual General Meeting of the Company and present to you the Annual Report of your Company for the financial year 2013-14.

The Statement of Profit & Loss, Directors' Report, the Audited Balance Sheet and the Statutory Auditors Report of your Company for the period ended 31st March, 2014 have already been provided to all the shareholders of the Company. With your permission, I take them as read.

At the outset, I would like to touch upon two major operating milestones crossed by your Company for the first time since its inception:

- Achieved Iron Ore Production of 30.02 Million tonnes (MT), highest since inception.
- Achieved Iron Ore Sales of 30.50 Million tonnes (MT), highest since inception.

The crossing of the 30 Million tonnes barrier shall further invigorate your Company to aim and achieve higher production and sales targets in the years to come.

THE ECONOMIC SCENARIO - BROAD OVERVIEW

Present slowdown in Indian economy broadly reflects the trend in many other economies of the world. The continuing slowdown being presently witnessed in many emerging economies has posed a threat to a sustained global recovery. Fortunately, recently there are green shoots of recovery being seen in the global economy particularly in USA, world's largest economy.

As per International Monetary Fund (IMF), the world economy is projected to grow at 3.6 percent in 2014 vis-à-vis 3.0 per cent in 2013. Euro zone area is also expected to register a positive growth after the contraction witnessed in 2012 and 2013. However, the performance of the US economy is pivotal to the fate of global recovery in the coming years. These are the head winds against which the Indian economy would have to manoeuvre its way to attain high growth trajectory.

The Indian economy grew by 4.7% in 2013-14, the second successive year of sub-5% growth (@ 5% during 2012-13) due to unfavorable conditions prevailing globally as well as domestically against 6.5% growth achieved during FY 2011-12 and 8.5% growth achieved during 2010-11. Projections for Indian GDP growth during the current year i.e. 2014-15 is also not very encouraging as the Economic Survey presented in the Parliament on 9th July'14 has assessed it to be in the range of 5.4% to 5.9% only.

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THE INDUSTRY - BROAD OUTLOOK

Total World crude steel production reached 1,607 million tonnes for the year 2013, up by 3% compared to 2012 crude steel production of 1548 million tonnes. India's crude steel production during 2013-14 (April'13-Mar'14) was 81.6 million tonnes showing an increase of about 4.1% over CPLY production of 78.4 million tonnes. India continues to be the 4th largest steel producer in the world.

It would be pertinent to mention that Global Steel Capacity has accelerated over the past decade and is now in excess of 2 billion tonnes / year. This capacity is much above global annual output levels of about 1.6 billion tonnes / year. Similar case is with global iron ore production, which is also facing oversupply scenario.

Due to saturation in iron & steel industry, global Iron ore prices got affected and remained subdued during the year 2013-14. It is expected that there will be pressure on steel prices in future, which in turn will put pressure on raw material prices including iron ore as well mainly due to overcapacity.

OVERVIEW OF PERFORMANCE FOR FY 2013-14

Even in the background of gloomy economic scenario in world economy, your Company has been able to perform excellently during the year 2013-14 and crossed the 30 million tonnes mark of iron ore production & sales for the first time since its inception.

The total worldwide production of iron ore during 2013 was about 1.9 billion tonnes out of which India's contribution was to the extent of about 144 million tonnes. Your company during the year 2013-14 produced about 30.02 million tonnes of iron ore which was about 20.9% of Indian iron ore production. Iron ore sales during the year was 30.5 million tonnes, showing an increase of about 15.9% over previous year 2012-13. The domestic sale was 28.2 million tonnes during the year 2013-14 against previous year's domestic sales of 24.7 million tonnes. The domestic sale was about 93% of total sales of your Company signifying the focus of the Company in meeting domestic demand and serving national interest.

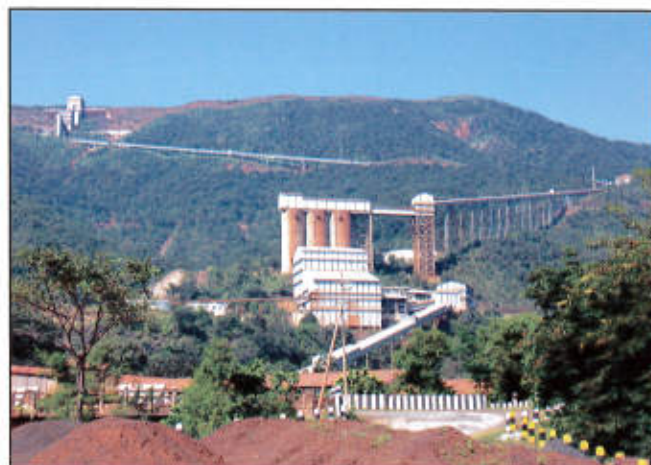
The demand of NMDC's iron ore in 2013-14 remained encouraging primarily due to higher domestic demand and also favorable export demand from our customers. Demand for NMDC's iron ore, both in export as well as in domestic market is likely to remain conducive during current financial year 2014-15.

MAJOR HIGHLIGHTS OF THE COMPANY'S PERFORMANCE

The Company's performance for the year under review under operational and financial parameters is summarized briefly as under:

OPERATIONAL PARAMETERS

- The Company achieved production of 30.02 million tonnes of Iron ore for the year under review vis-à-vis 27.18 million tonnes in the previous financial year, recording an increase of 10.45%.
- Sale of Iron Ore to domestic industries was 28.20 million tonnes as against the previous year supply of 24.67 million tonnes, recording an increase of 14%. Total exports of Iron Ore during the year was 2.30 million tonnes vis-à-vis 1.60 million tonnes in the previous financial year 2012-13 recording an increase of 43%.
- Sponge Iron Production for the year under review was 29,734 tonnes as against 36,289 tonnes in the previous financial year.



NMDC Limited

- Diamond production for the year under review was 37,082 carats vis-à-vis 31,533 carats in the previous financial year, recording a sharp increase of around 17.60%.

FINANCIAL PARAMETERS

- Turnover for the year under review was Rs.12,058 crores vis-à-vis Rs.10,704 crores in the previous financial year 2012-13, recording an increase of 13%.
- Profit before Tax (PBT) was Rs.9,761 crores vis-à-vis Rs.9,462 crores in the previous financial year 2012-13, recording an increase of 3%.
- Profit after Tax (PAT) was Rs.6,420 crores vis-à-vis Rs.6,342 crores in the previous financial year 2012-13, recording an increase of 1%.
- Net worth increased to Rs.29,983 crores as on 31.03.2014, 9% higher than Rs.27,505 crores as on 31.03.2013.
- The company has declared first Interim Dividend for FY 2013-14 @ Rs 3/- per share (300%) involving an outgo of Rs.1,189 crores. Second Interim Dividend for the financial year 2013-14 was declared @ Rs.5.50 per share (550%) involving an outgo of Rs.2,181 crores. Total dividend for the year under review was @ Rs.8.50 per share (850%) aggregating Rs.3,370 crores out of which the share of Government with an equity stake of 80% is Rs.2,696 crores. This is the highest quantum of dividend declared by the Company since inception.
- Capital expenditure of Rs 2,518 crores has been incurred which is once again the highest since inception.



HON'BLE SUPREME COURT JUDGEMENT ON MINING IN BELLARY

As informed earlier, the case on mining issues in Karnataka came up before the Green Bench of the Hon'ble Supreme Court, and it pronounced the judgment on 18.04.2013 after taking into account the interim orders it had passed in the matter, the survey report of the Joint Committee, the Final Report and the Modified Report of the Central Empowered Committee, and the submissions made by all the Parties concerned. In short, the judgment has approved and accepted (a) the findings of the survey conducted by the Joint Team; (b) the categorization of the mines into 'A', 'B', and 'C'; (c) the CEC's recommendations, including that of the role of the Monitoring Committee; and (d) the grant of fresh mining leases and consideration of pending applications to be dealt with in accordance with law and the judgment. Accordingly, the Donimalai and Kumaraswamy mines situated in Karnataka have been placed in Category-A. Further, the Monitoring Committee, appointed by the Hon'ble Supreme Court is continuing the sales of Donimalai and Kumaraswamy products through e-auction.

NEW PROJECTS & BUSINESS DIVERSIFICATION

3.0 MTPA Steel Plant at Nagarnar

The Company's ambitious 3.0 MTPA Integrated Greenfield Steel Plant being set up at Nagarnar involving an investment of Rs.15,525 crores is in full swing. All the 9 Major Technological packages are awarded. Civil work, structural erection and equipment erection work are progressing at site. The cumulative expenditure till August 2014 in the Steel Plant stands at Rs.5,057 crores. The budgeted expenditure for 2014-15 in respect of Steel Plant is about Rs.2,280 crores. The total value of works awarded by NMDC is around Rs.13,716 crores.

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Bailadila Deposit 11 B, Kirandul Complex:

As part of the plan to enhance production, construction of Deposit 11B mine with a capacity of 7.0 million tonnes of ROM per annum involving a capital outlay of Rs.607 crores has been taken up. All the packages have been ordered and the works are in various stages of completion. The project is likely to be commissioned by March 2015.

Kumaraswamy Iron Ore Project, Karnataka:

To compensate the depleting reserves of Donimalai Iron Ore Mine and for augmenting production capacity, the construction of Kumaraswamy Iron Ore Mine with a capacity of 7.0 MTPA involving a capital outlay of Rs.898 crores was taken up. The project is likely to be commissioned by March 2015. This will add 7 MTPA capacity to our Donimalai Sector.

Donimalai Pellet Plant, Karnataka

The objective of setting up of Pellet Plant at Donimalai was primarily to prolong the life of the tailing dam at Donimalai by consuming the accumulated slimes along with iron ore fines for making pellets. The capacity of the Pellet Plant is 1.2 MTPA involving a capital outlay of Rs.572 crores. The project is likely to be commissioned by March 2015. This will usher in a new era to the history of NMDC by adding a value added project to its portfolio.

Slurry Pipeline Project:

NMDC has taken up activities for setting up of 15 MTPA Slurry Pipeline Project consisting of Iron Ore Beneficiation Plants at Bailadila, 2 MTPA Pellet Plant at Nagarnar and Slurry Pipeline System from Bailadila to Vizag via Nagarnar. The portion of the Slurry Pipeline System from Bailadila to Nagarnar will be owned and executed by NMDC and the portion of the Slurry Pipeline System from Nagarnar to Vizag with a 6 MTPA Pellet Plant at Vizag will be set up in JV mode.

Various other projects are in pipeline.

GLOBAL INITIATIVES

The mission of NMDC Business Development department is acquisition of overseas mining assets of iron ore, coal, manganese and fertilizer minerals i.e. rock phosphate and potash and entering itself as a acquirer and developer of path-breaking new technologies in the Country. NMDC intends 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's enterprise value and profit.

NMDC's growth strategy focuses on strengthening the organization's global market position by following a three pronged growth approach:



I. Strengthen its position in Iron ore:

By augmentation of resource base (India/Overseas) and forward integration down the Value Chain - Pellet Feed, Pellet and Steel.

II. Expand Geological Footprint and Broaden Product Portfolio:

In regions like Australia, Russia, USA, Africa in Iron Ore, Coal, Manganese, Rock Phosphate/Potash.

III. Joint Venture/Partnership approach

The Company had acquired majority stake in a ASX listed company-Legacy Iron Ore Limited in Australia having exploration tenements in iron ore, gold and coal. It has increased its equity stake in the company through subscription to the Rights Issue being floated by the Legacy.

In addition, it has a JV with Kopano in South Africa for exploration and development of mineral deposits in South Africa.

It also has MoU with Carbonite Acquisition Llc. a listed company in USA for development of metallurgical coke from non-coking coal to reduce the requirement of coking coal in blast furnace which is in short supply in India and ultimately result in reduction of import burden of coking coal for our country.

Your Company is planning to enter into an area of iron making R&D jointly with M/s ECT (Environment Clean Technologies) Limited, an ASX listed company in Melbourne, Australia which has developed and patented MATMOR technology. This technology, aimed at upgradation of low grade iron ore and steel mill waste, will be developed jointly as an alternative to the traditional steel making process and will use lignite in place of metallurgical coal. At present lab scale testing to establish the effectiveness of the MATMOR process on the various grades of iron ore from NMDC mines along with lignite is under process.

CORPORATE SOCIAL RESPONSIBILITY (CSR)

It is a matter of pride that several CSR initiatives have been in place right from the inception of the Company and they have become an integral part of the business model of NMDC.

The focused areas of company's CSR initiatives are primarily on:

- Education
- Infrastructure Development
- Health Care
- Drinking Water Facility
- Integrated Development of Villages
- Skill Development

The total annual CSR budget for the financial year 2013-14 was Rs.171.05 crores against which an amount of Rs.152.85 crores has been spent on various CSR activities.

I am happy to announce that the CSR budget earmarked for the current financial year 2014-15 is Rs.250.19 crores showing company's commitment towards its CSR obligation as a responsible corporate citizen.

CSR activities of the Company are mentioned in detail in the Director's Report.



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CORPORATE GOVERNANCE

A separate section on Corporate Governance forms part of the Director's Report. Your Company has complied with Corporate Governance norms as stipulated by the Listing Agreement/DPE Guidelines.

I would also like to inform that the Comptroller & Auditor General of India (C&AG) has not made any observations on the Annual Accounts of the Company for the year 2013-14 and has issued "Nil Comment" certificate. This is the 10th year in succession, the company has received "Nil Comment" certificate from the C&AG except for the year 2006-07.



The Company has also received "Excellent MoU" rating for the financial year 2012-13.

ENVIRONMENT MANAGEMENT

The company has been accredited with ISO:14001 Environmental Management System certification in respect of NMDC's four major production projects, i.e., Bailadila Deposit-14/11C, Deposit-5,10/11A, Donimalai and Diamond Mining Project, Panna.

NMDC is organizing environmental monitoring studies at all the production projects by engaging the MOEF recognized laboratories. The studies indicate that environmental parameters at all the production projects are well within the prescribed limits as per MoEF / CPCB and State Pollution Control Board Standards.

RECOGNITION OF EXCELLENCE

Your Company continues to get various award and recognition which are detailed in the Directors' Report. However, I would like to mention about few significant awards and appreciation bestowed upon the company viz:

- Most Efficient Navratna Award organized by Dalal Street Investment Journal.
- Most Valuable Company Award in Navratna Category organized by India Today PSU Awards, 2014.
- Best Mining Company under Mining Sector organized by Dun & Bradstreet.
- BT-Star PSU of the year Award for Outstanding Performance - among Maharatna and Navratna PSUs by Bureaucracy Today.

STRATEGIC INVESTMENT IN INTERNATIONAL COAL VENTURES (P) LTD. (ICVL)

In a landmark acquisition of large coking coal and thermal coal mines and assets overseas by Indian companies, International Coal Ventures Pvt. Ltd. (ICVL) the joint venture of SAIL, CIL, RINL, NMDC & NTPC finalized the takeover of Rio Tinto's operating coal mine and coal assets in Mozambique with an estimated coal reserves of 2.6 billion tonnes. The mine produces prime hard coking coal and thermal coal.

The coal resource will become a long term captive source of a critical raw material in steel making in geographical proximity to India. The coal mine and assets are located strategically in the prime coking coal bearing region of the Moatize Coal Basin which is stated to be the second largest coal basin in the world after the Bowen Basin in Australia.

The portfolio of assets acquired by ICVL includes Benga (65%) and the Zambeze (100%) and Tete East greenfield coal assets which have substantial resource of coking coal. ICVL, which had been scouting for coal mines and assets since its inception in 2009, has now succeeded with this large acquisition, intended to give long term security of supply of a critical raw material for the steel industry.

THE JOURNEY AHEAD

The decisive mandate of the recently elected new Government shall go a long way in promoting development and good governance. The need of the hour is to have a broad and balanced policy framework which can lead to larger value capture for the Indian economy and stimulate job multiplier effect with lasting long-term positive consequences.

As our Hon'ble Prime Minister in his historic visit to Japan said while addressing investors and businessmen, "No other country offers such an opportunity as India, given the fact that it has democracy, demography and demand".

The thrust of the maiden Union budget of the new Government towards manufacturing sector, construction of 100 smart cities, opening up of FDI, steps to expedite environmental and forest clearance etc. will promote infrastructure development in a big way leading to boost in demand for iron and steel sector. The nation has to tackle inter alia, two major problems currently facing - high inflation and unemployment rate. With a rising number of educated and skilled manpower in the Indian labour force, there is a need to provide sustainable employment opportunities which can reduce the gaps between the "haves" and the "haves not" and promote inclusive growth. Significant investments are needed, both from domestic and foreign investment front to propel the Indian economy to higher growth trajectory.

Investors interest for India has undergone a sea change post the historic and decisive mandate which is well exemplified in the booming stock market with both NSE & BSE breaching the key psychological barrier of 8000 & 27000 level mark backed by improving macro economic fundamentals. The sharp rebound in NMDC stock price augurs well for the investing community at large.

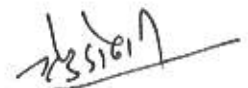
NMDC is well placed in the scenario considering its position as India's largest iron ore producer and will establish a strong platform for multi-year volume growth. The long-term vision plan of NMDC which is being given shape has chalked an ambitious plan to scale up the production to 50 MTPA by 2018-19 and 100 MTPA by 2024-25. Your Company is firming up modalities and roadmap to achieve the vision plan in a time bound manner. The people of NMDC remain a corner stone of its continued success. The employees are the most valuable asset of an organization and play a key role in meeting various challenges and opportunities. As a responsible corporate citizen, NMDC is conscious of its key role in meeting national priorities leading to balanced and inclusive growth.

We are living in turbulent and exciting times. Advent of IT and communication facilities has made the world flat. Such times offer both challenges and opportunities. NMDC has to be flexible to meet those challenges and capture opportunities for long term growth and sustenance leading to value creation for its various stakeholders.

ACKNOWLEDGEMENT

To conclude, I acknowledge that all these achievements have been possible only due to relentless and dedicated efforts, made 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 for the confidence and trust bestowed upon your Company and the opportunity given for its continued growth and expansion. I sincerely assure you that the Company will continue to grow and flourish in the years ahead.

Thank you and Jai hind.



(Narendra Kothari)

Chairman-cum-Managing Director

Place : Hyderabad

Date : 29th September, 2014

