

To, प्रबंधक/The Manager बीएसई लिमिटेड/BSE Limited, फीरोज जीजीभोय टावर्स/ Phiroj Jeejeebhoy Towers, दलाल स्ट्रीट/Dalal Street, मुम्बई/MUMBAI- 400 001 स्क्रिप कोड/Scrip Code: 532234	To, प्रबंधक/The Manager अनुसूचन विभाग/Listing Department नेशनल स्टॉक एक्सचेंज ऑफ इंडिया लि., National Stock Exchange of India Ltd., एक्सचेंज प्लाजा, बांद्रा-कुर्ला कम्प्लेक्स, Exchange Plaza, Bandra-Kurla Complex, बांद्रा ईस्ट/Bandra East, मुम्बई/MUMBAI-400 051 प्रतीक/Symbol: NATIONALUM
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Sub: Transcript of Investor Meet held on 10th January, 2022

आदरणीय महोदय/Dear Sir,

Further to our letters dated 10.01.2022 and 11.01.2022, enclosed please find transcript of Investor Meet held on 10th January, 2022.

आपकी जानकारी और अभिलेख हेतु/This is for your information and record.

धन्यवाद/Thanking you,

भवदीय/Yours faithfully,
कृते नेशनल एल्यूमिनियम कंपनी लिमिटेड
For National Aluminium Co. Ltd.

(एन.के. महान्ति)

(N.K. Mohanty)

समूह महाप्रबंधक एवं कंपनी सचिव और अनुपालन अधिकारी
GGM & Company Secretary and Compliance Officer

Encl.: As above/संलग्न

नेशनल एल्यूमिनियम कम्पनी लिमिटेड
(भारत सरकार का उद्यम)
निगम कार्यालय
नालको भवन, नयापल्ली, भुवनेश्वर - 751 013 भारत

National Aluminium Company Limited
(A Government of India Enterprise)
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Nalco Bhawan, Nayapalli, Bhubaneswar-751013, India

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Transcript of Investors meet held through Video Conferencing on 10.01.2022

Person 1 - Sir, Good Evening.

CMD: Good Evening, Good Evening, are you able to hear us...?

Person 1 - Good Evening. We have Mr Vineet, one of the fund managers from Birla Mutual funds along with us.

Anchor - Yeah, Good Evening. Hello, sir. We are able to hear you clearly. I hope I'm also audible to all.

CMD: Good Evening. How is COVID in Mumbai...?

Anchor: Well, as you know Covid is very terrible in Mumbai... the highest number of cases in India probably. And, sir, I hope everybody at your end is also good.

CMD: It is throughout the country. Odisha is no exception.

Anchor: yeah, correct, correct. I hope it will end soon. (CMD - Should we start?) Yeah...sure... So, sir, thank you so much for this meeting. Since we have only 30 minutes of time allotted I thought that I will take this opportunity to directly go to questions and answers rather than asking you for outlook or review. I hope this is all right with you.

Person 1(Unknown): You want us to leave the meeting or...

Anchor: No... I am Okay. So, Sir, I will directly go into the question-answer mode. Sir, my first question is honestly, you know, as investors, we would appreciate and prefer to have a better flow of information and this is somehow that has been a challenge for us, getting basic information as investors and that's why my request is to kindly appoint one person may be company secretary or someone else who can take care of investor relation and queries and data requirements because it has been my experience even after multiple follow-ups and etc it is difficult to get data and information. So, it becomes difficult for us as investors to continue to analyze and maintain our investments in Nalco. So, I hope you would appreciate that concern.

CMD: I appreciate. The question is we are dealing with the money of our stakeholders and the shareholders. Our aim is to maximise their wealth and what direction we are going, there must be clarity in the market. As the investors will be keen to know what the company is doing. Pros and cons, ups and downs are two sides of a coin which exist in every industry. Despite that from long term perspective point of view, whether in the right perspective and right directive we are moving, the humble duty of management to ventilate and I will advise my company secretary that any investors' information should be attended promptly. Of course, we have been trying since the last six-seven months that to accelerate this. But this Covid pandemic has created various unpleasant situations. Because now also in the office around 10-12 persons are suffering from Covid. So, we appreciate your concern and feeling and definitely, we'll never disappoint.

Anchor: Sure sir, Thank You, sir. Moving on to my next question coming to about business operations so while we know that the commodity prices have been very strong globally including Aluminium prices, Alumina went up and came down a little bit, Sir I wanted to understand on the cost side, how is our cost of production moving separately for Aluminium and for Alumina? If you can talk about that, please.

CMD: If you see honestly, for Alumina cost of production we have been declared consistently the lowest cost producer in the world. Inflation and the cost matrix, what we are thinking are common for

all industry players and these also have international influence; we cannot avoid that. So far the metal is concerned, import prices are increasing. It is quite natural because when everybody sees the price of this commodity is at level of \$2600-\$2700, with exchange rate of 74 to 75, it is a simple mathematics everybody calculates what will be the sales revenue. And the cost what we are incurring, manpower cost, as a government CPSE, it is known to everybody what will be the pay package and all these things. Then if you analyse the cost of metal, almost one-third is basically the Alumina cost. And since we get Alumina as a captive source from our Refinery and we being the lowest cost producer of Alumina, definitely we are in the advantageous stage that whatever Alumina we are getting, we are getting from our own Refinery, and we are the lowest-cost producer of Alumina. Normally if you see Alumina prices earlier, it was almost 17-19% of the LME. But it does not hold good when LME moves beyond a particular threshold limit, because the supply-demand of Alumina, supply-demand of metal is altogether different.

Correct ... sorry ...please Go ahead...

CMD: The Alumina, if you see the price, what we were getting last year in Q1 in comparison to the present year price, realisation is more in the Q3, there is a quantum jump. In Q3 Alumina realisation is almost 17% higher than Q2. If you consider Q3 current year price in comparison to the corresponding year, there is almost 59-60% jump. This year market report indicates that, 12-12.9% of the LME price will be the Alumina price. But my expectation, it would be beyond 15% of LME. So far Alumina is concerned NALCO, being the lowest cost producer, definitely, my margins are comparatively better than other industry players. And so far metal is concerned, the selling price is hovering on an average of Rs.2.30 lakhs to 2.35 lakhs per ton and you see, LME is hovering on an average of \$2600-2700 . And people are sceptical in the market when the price correction is made by different analysts. They assume LME will be around \$2300-2400 in FY 2022. So they are sceptical because some are traders and some are secondary users. Those who are secondary users, they basically take the bare minimum requirements, those who are traders they see when it is increasing trend they buy, and when it is the decreasing trend, they slow down. So, my metal cost when LME is hovering around \$2600-2700, the marginal increase in the input cost either it is in power or in the CT pitch or in the CP coke, it hardly makes any difference. I want to maximise the return, so we are putting efforts to produce 4 lakhs 60 thousand tonnes of metal during this year to achieve our 100% plant capacity, because metal is basically a regulated production. So far in NALCO's history, we have put highest 944 pots in operation. But this year we have 959 pots out of 960 in operation and another one pot will be put within 8-10 days. We are putting efforts to put 960 pots into operations. That indicates the confidence the company has to earn profit. Because if I forgo today and make the production lesser, we will be looser as we know the trend from the history that when LME reaches \$2500 it does not stick for a long period. In past, it went up to \$3200 and then came down to \$2400-2500, again it has picked up to \$2600-2700. The market analyst's prediction is that \$2300-2400 average LME will remain, but I am quite confident during this Q4, it will be hovering between \$2500 plus-minus. So the price what I am giving as an incremental cost, I don't consider it is an incremental cost rather I want to tap the opportunity to get the differential sales revenue as my profit. So, I am assuring that, so far metal is concerned, you will also not be disappointed and Q3 result will be published shortly. You will feel happy that, what was committed earlier the same thing has been translated into the figures.

Anchor: Okay. So, sir, when you're saying that the cost has been marginal, so for example if we look at Alumina, should we consider that the cost of production of Alumina increase that has happened, is less than 10% compared to last year, assuming it is marginal?

CMD: Alumina, the major requirement is caustic soda. Caustic soda prices have shoot up from Rs.33000 - Rs.34000 to Rs.75000. The thing is due to the coal crisis, all the coal rakes were given priority and logistic constraints were there due to COVID-19. Any vessel going to China, they have to

quarantine for 14 days. So, the chemical vessel, which was carrying caustic soda, their availability also had been distracted. So, we know this is a temporary phenomenon because everywhere they are recurring additional expenditures, to make this arrangement. So, this temporary phenomenon, we do not consider as longterm indicators, that it will prevail. The market has to correct it. And in India, caustic soda production is more than the requirement, So this temporary phenomenon because of the COVID related impact will not be long term, because after this third wave - Omicron and if the herd immunity develops because it is moving very fast, basically it will come to an endemic. So I am quite confident that this will not. really (interrupted by anchor)

Anchor: So, are you saying that temporarily, that cost has gone up much higher than 10% and it may it will come down later. So right now the cost might have moved up higher. Is that what you are saying? But although in future, it might come down?

CMD: In true sense, let me tell the cost of Alumina, being a price sensitive information, I am not talking about the absolute figures. But despite increase in the cost, our margin is higher. Because we are getting around 15-16% of the LME.

Anchor: So, may be not absolute numbers, but in terms of percentage growth, etc. versus last quarter, something like that, if you can suggest, you know, what is the range? I don't want an exact number that has gone up by 10.5% or something like that. But is it in 10 to 15% range? Is it into 20 to 25% range? You know, some indication will be useful for us.

CMD: It is around 10 to 12% it varies, overall. I am not talking component-wise.

Anchor: So compared to last year, it is higher by 10 to 12%. That is what we should assume?

CMD: Yes...

Anchor: Okay. Understood Sir. And sir, if you look at similar way, for production of aluminium, Alumina is from our own captive source, right? So, we can term it is cost of conversion of Alumina into the metal, right? Or overall Aluminium cost, whatever you may like to say, how is that moving? Because of the coal shortage, the bigger impact seems to be on Aluminium, right? If you have to buy coal from a non-linkage source, etc. our cost goes up significantly, right? So is the cost impact higher in the percentage terms in Aluminium?

CMD: I'll just give a hint, (Anchor - yeah)... Aluminium smelting is power intensive. In India, all the aluminium sectors, depend upon the thermal coal. All the players, who are smelting aluminium metal; are all in the thermal power group. Now so far NALCO is concerned, we are not importing any Indonesian coal. Indonesian coal, is prohibited temporarily to stockpile the coal for their own power plants. If you analyze last year data, almost 80% of the total coal export by Indonesia is meant for Chinese port borne power plants. What strategy we followed till now, has proved to be successful. And we are quite confident this power crisis, what we are seeing today, it has started almost three-four months back, and it will not continue for a long period because now almost all the power plants have coal stock. Government has given directive not to retain coal stock of more than 17 days. So, we are quite hopeful by January end, the crisis will come down.

Anchor: Okay. So sir, let's say from October onwards, Coal India actually diverted a lot of coal from industry towards power plants, right? For utility power plants. So, how is NALCO, FSA fulfilment been impacted? I mean, what percentage, we would have achieved in terms of, you know, deliveries on, on our FSA side...?

CMD: Again, please...

Anchor: Sir... the FSA is that we have with Coal India, various subsidiaries of Coal India. So we have this contracted quantity, right? So in this October onwards, which is October, November, December, these three months which is Q3, they started diverting coal more towards the utility power plants by cutting the, you know, other users allocations. So I am assuming NALCO's allocation would have also been cut temporarily.

CMD: You see. It is not a question of curtailment of allocation. When the economy was down, the power sector did not hold much coal, because holding coal itself is inviting various perennial risk apart from fire. So everywhere there is a limitation, depending upon the availability, logistics, etc, to ensure uninterrupted power production, normally 15 days to 30 days coal stock they keep. So Nalco also used to keep that. They have not curtailed this. Now when the economy started booming, industrial activities started to regain, the power requirement of the country increased. Because the coal plant, needs time for operation to come up to its peak load. It is not like hydro. Switch on; switch off mode we can connect to the grid and give the power. Whether it is a RoR, or it is a reservoir based hydro project, they can switch on switch off to the grid. But in case of thermal, it needs some time. So the power plants did not maintain the stock when the production was lowered down or scaled down.

Anchor: Yeah.

CMD: So, when they wanted to ramp up the production, they need much coal and in such a situation like COVID crisis, people, the workers, the miners are all affected, there is no attendance, almost 50 - 75% attendance. The people who are working in mines area and some unprecedented rainfall have also aggravated the situation.

Anchor: Correct

CMD: But that they cannot discriminate. So they give priority to that. It has not been cancelled. We are also getting coal and added advantage of NALCO is we have our merry go round, our own locomotives and wagons between the MCL and NALCO it rotates. So we got some coal.

Anchor: Fulfilment was significantly lower or was it, not significantly lower? The overall fulfilment...?

CMD: Our power requirement is around 900-megawatt minimum to run the full-scale plant. And we are hardly importing 200-megawatt power. (Anchor: okay.) from the grid. So, 700 MW, I am generating on myself. I need not tell the details of how we are managing and all these things. This is the fact.

Anchor: No, but even the 700 MW that we are generating, sir, on our own, Sir is it also some high-cost coal purchase from the market, you know, even though it is captive, technically the cost is equivalent to the outside power.

CMD: So basically we are purchasing from subsidiary of Coal India. The price has not increased substantially. We are not using any import coal or we are not using any coal from a long distance. Because our advantage is that our plant is located almost 15 - 20 kilometers, from the MCL, which is a coal-based mines area.

Anchor: Okay... So Sir, for the 700 MW that we are running captively should I assume that all the coal that is required is coming from Coal India only on a linkage basis...

CMD: Yes, I can reconfirm that we are not importing coal, or we have not bought coal from any domestic source other than Coal India.

Anchor: Understood. And sir, is it likely that 700 MW of captive power, will subsequently be increased in the coming quarters.

CMD: We are always hopeful that good day has to come, because 'bhagwan ne create kiya hai good day, bad day' otherwise we cannot test it. And it is a test for us, whether we are able to manage during the crisis period or not. So now we are facing that and we are quite confident that my team, their efforts what they are putting will manage the challenges.

Anchor: Okay, Understood, sir. . And sir during Q2, we had advantage of one or two shipments of Alumina, which were deferred from Q1, right? And that's why our Alumina sales volume, was slightly higher. Although they were lower in Q1. So H1 was normal, but what I am understanding is the Q2 had abnormally higher sales volume, right? So correspondingly Q3 will see a deep in the sales volume? Because those extra shipments are...

CMD: Fundamentally my Alumina production is around 21 lakhs, and our Smelter requirement is around 10 lakhs, including domestic sales. So almost 12 lakhs I have to export. It is not that all consignments will be deferred. 1-2 consignment defer which may take place that we may not predict with this volatility of the COVID, otherwise, we are on the schedule and we'll achieve our production and sales target in all the 4 quarters as a whole.

Anchor: Okay, sir, on Aluminium profitability just wanted to understand one conceptual clarity I needed. We transferred the Alumina at our cost to the Aluminium division to calculate the profitability, right? Sir my question is that on a contribution basis at high coal prices, does Aluminium still make profit? Although Alumina is transferred at a cost, but the market value of that Alumina is much higher, right? It is probably \$360 or \$400? It is probably not \$200 or \$180. So, assuming incremental contribution analysis, we do, how does that Alumina profitability stack up?

CMD: Even we consider \$350 to \$400 is the Alumina price, let us assume 1.9 to 2 tonne Alumina is required for 1 tonne of metal. Okay. So if 350×2 , it is 700. Alumina cost is 700. If Alumina cost is 35%, let us assume then a 100 percent will come to \$2100. (Anchor: Okay). So sales anything beyond that is incremental profit.

Anchor: Okay Understood. So, sir basically, what it implies is the non-Alumina cost is roughly \$1,400, right? That is what we should understand. The non-Alumina cost is roughly \$1,400.

CMD: Yes. Because in the composition of metal cost, it is 1/3 the Alumina cost, almost 35-40 percent is the power cost and the rest 25 to 30% is different costs and margin.

Anchor:

Yeah. Sir it may be true at one point of time, but this percent will shift, right? If power cost goes up because of, let us say higher coal cost, etc, then that percent might change?

CMD:

The thumb rule is that what we are considering, the abnormal factor is temporary in nature, it may sometime influence the total cost. I am just talking from a long-term perspective point of view because we have put 180-kilo ampere pot line. Initially when, the project was commissioned, that was the best technology available at that time. But now 600 kilos ampere is available. But now, if the pot line is replaced with 600-kilo ampere, I will just gain something in power cost. But the depreciation and the interest burden will override the power cost. But I am not telling that we should not switch over because environmental requirement, all these things, we have to do it. But another 0.5 million tonne of smelter brown field expansion is also under progress. NALCO was conceived with an intention to provide primary metal to the secondary manufacturers who were importing. As an Atmanirbhar Bharat, now what we are discussing in early 80's when the company was conceived it was also considered self-reliant India. Because we should produce metal and provide the same to the secondary industries in the

Country. If we replace this, then this metal what we are giving to the secondary industry, they will import.

Anchor:

Sir when will 0.5 MT expansion of Smelter be operational?

CMD:

Now the DPR is under preparations and we are confirming the power sourcing. If the power sourcing is confirmed, then the final cost can be determined. Because whether we'll be taking this power plant on our own or we will be outsourcing the same by giving coal, will be decided later.

Anchor:

Okay. But Sir, in this, are you building in some sort of contingency for carbon taxes or carbon costs to come into India? Because, I mean, the government has made certain commitments, right towards climate change and reduction of emissions from the country. And towards that extent in future, there might be policy changes, which might introduce some form of carbon, you know, tax or costs, etc, which might be imposed on.**CMD:**

Already, it is there for the purpose of encouraging renewable energy, we are taking care of that if further regulatory requirement comes, that we will look into.

Anchor:

No. Sure sir, but, our investment, which we commit has to take that into account, right? Currently what the cess is Rs 400 per tonne of coal? **CMD:**

We are also exploring hydrogen-based power plant but that technology has not been tested and proven and established in the country.

Anchor:

Okay. Because the people estimate that, internationally carbon prices are somewhere around 50 to 70 euros per tonne? And in the production of Aluminium, there's a substantial emission that at least 13 to 14 or 15 tonnes of carbon per tonne of Aluminium. So, if one were to assume that similar level of carbon costs come into India, then even at 50 euros, it might mean, , something like 750 euros or almost, there will be additional cost or burden by about \$900 to \$1,000. So that's why any new investment in Aluminium smelter must take into account this kind of contingency that what kind of future...

CMD:

That's what we are analysing. We are not thinking this smelter based on the thermal power plant. (Anchor: Okay.) That's what I indicated that we want to finalise the power sourcing, because the intention is a long term sustenance, at an economic affordable rate.

Anchor:

Sure. Because Sir Coal India announced that they wanted to do with NALCO. So I was wondering that again, we will be going to thermal based power of source only. That's why I was asking.

CMD:

That has been kept on hold as on date.

Anchor: Okay

CMD: I'm thankful that you showed interest on NALCO and the management, which is looking after the investors' money. I am assuring that we will put our efforts to maximize the return of the investors. Of course, various factors influence the market capitalisation, because LME price is also one major player. But as a management perspective, I assure that we are leaving no stone unturned to ensure that we are making all these things aiming larger interest of our stakeholders and our investors.

Anchor:

Sure, sir. Thank you so much for your time and really appreciate, you answering, my questions.

CMD:

If the COVID is normalized, then I would request Mr. Pallav that to conduct a meeting at Mumbai so that I can physically be present. So, let us pray to God that the pandemic should be endemic, then we can meet in person.

Anchor:

Sure, Sir, we would love to meet you in person. We would love to have that opportunity. But meanwhile, my request is for that on-going interaction from investor point of view, for information and data. Sir we don't want to trouble you for basic information and data, right? I mean, that can be handled by other officials also.

CMD:

I told you it's not trouble. Only data, it is a theory, but data with physical interaction add meaning and value to the data. So, I believe that we should interact more with all physical data so that there can meaningful interaction in future.

Anchor: Sure Sir, both are important.

Another Anchor: I'll just add to one thing Sir, So, basically some basic things like, production and sales data. So I think it started after, last two quarters have been very good. The quarterly press release mentions, how much has been produced, Alumina and sold, which was not in the past. So there has definitely been an improvement in the, the quantum of information, but yeah, obviously it can improve. Thank you again so much. It was a very informative call for ourselves as well, and thank you Mr. Vineet for taking part in the call today. Yeah.

Thank you very much, sir. Have a good day.

CMD: Thank you, one & all those who are connected through VC. So now this is the age of technology, which made us to interact only through virtual mode. Thank You ...

Thank you.