



# “MOIL Limited Q4 FY2021 Earnings Call”

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**Moderator:** Ladies and gentlemen, good day and welcome to the Q4 FY2021 Earnings Call of MOIL Limited hosted by DAM Capital Advisors Limited. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing “\*” then “0” on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Vishal Chandak from Dam Capital Advisors Limited. Thank you and over to you Sir!

**Vishal Chandak** Thank you Malika. Good day to everyone and I welcome you all to the Q4 FY2021 earnings conference call for MOIL Limited. We have the Chairman and Managing Director Mr Chaudhari, Director of Finance Mr Tumane as well as the other members of the management team including the company secretary Mr Neeraj Dutt Pandey. Thank you very much Sir for the opportunity to host this call and without much adieu I would hand over the floor to you for your opening comments after which we will take over the Q&A. Thank you very much. Over to you Sir.

**M. P. Chaudhari:** Thank you Vishal. Good evening to all of you. I welcome all to the con call hosted by DAM Capital. I am thankful to Mr Vishal Chandak for arranging this con call. First I would comment on the Q4 results.

MOIL has produced 4.02 lakh MT manganese ore against 3.33 lakh MT in January to March 2020. This is an improvement of around 21%. Core production that is production excluding fines, fines are generated during the production of manganese ore so this is not our core production. We do not produce fines; these are generated. So excluding this the core production has increased from 2.66 lakh MT in last year to 3.41 lakh MT. This is up by around 28%.

Sales of manganese ore have increased to 4.13 lakh MT, which were 2.97 lakh MT in January to March 2020. This is an increase of 39% and sales of core product that is non-fines ore have increased to 3.54 lakh MT from 2.32 lakh MT. So this is up by 53%. Turnover during the quarter is Rs.450 Crores. This is the highest ever achieved by the company in any quarter, which was around Rs.249 Crores last year, so this is up by a whopping 81% and average realizations in respect of manganese ore have increased to Rs.9914 per metric tonne from Rs.7584 Crores per metric tonne in the last year. So this is higher by around 31%. Accordingly the net profit during the quarter has increased to Rs.116 Crores as against Rs.13 Crores so this is up by around 800%.

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So far as annual results are concerned, our production during the year is 11.44 lakh MT as against 12.77 lakh MT in 2019-2020. This is low by around 10%. You are aware that lockdowns have impacted after 15 March 2020 or 20 March 2020 and in 2020-2021 it has impacted us for more than two months. For the sake of understanding, it will be interesting to note that manganese ore production from Q2 to Q4 - so I am excluding Q1 in which some disturbance was there for the part of the quarter - was 10.90 lakh MT as against 9.60 lakh MT in earlier period. So this shows an improvement of around 5%. Similarly, annual production of EMD (electrolyte manganese di-oxide) and ferro manganese- these are two value added products - it is slightly on the lower side during this full year (949 MT EMD against 992 MT in the earlier year and 8851 MT ferro manganese as against 10,421 MT in the earlier year). The Q2 to Q4 performance shows improvement of 41% in EMD and 20% in ferro manganese. So that is how, the loss of production in Q1 has been partially made up by us. All of you know, 65% of the production of manganese ore comes from underground mines and it is very difficult to ramp up production all of a sudden. So when there is a lockdown kind of situation prevalent for more than two months, it was very difficult to make it up entirely. So we could increase it only to the extent of 5%. Sales of manganese ore have increased to 12.10 lakh MT as against 11.80 lakh MT in the earlier year. This is up marginally by 3%. Turnover during the year is Rs.1177 Crores as against Rs.1038 Crores in the last year. So this is up by 13%. Average realization for the whole year in the manganese ore it is Rs.8767 per metric tonne. Earlier in the year it was Rs.8217. This is higher by around 7%. The net profit during the year is Rs.177 Crores against Rs.248 Crores last year. This has impacted adversely due to the sunk cost of around Rs.100 Crores incurred during lockdown. We have some fixed expenses, mostly comprising of salaries and electricity bills, which cannot be avoided. So this cost is estimated to be around Rs.100 Crores. We have an exceptional item of contribution to PM Cares Fund and Chief Minister's Relief Fund - Rs.50 Crores. Further, there is reduction in returns on investments - we have some fixed deposits and mutual fund investments to the tune of around Rs.1900 Crores on 31st March 2021 - this has impacted our other income adversely to the extent of around Rs.70 Crores. So, that is it the reason there is a reduction of around Rs.75 Crores in net profit.

On the achievements part I would like to highlight we have already given information to the Stock Exchange that for the first time MOIL has got a patent. It is on innovation and technology. We have underground mines where voids created due to extraction of ore (when the ore is mined out) which are to be filled up and done by sand stowing operations. The voids are filled up by sand, sand is a scarce natural resource and as a project, we had taken up to reduce the consumption of sand and substitute it with some other materials. We have used our waste materials, then pebbles have been crushed and used in the mines and we have also tied up with power plants producers for supply of bottom ash. So, this has partially replaced sand so far but this innovation is the major breakthrough. The waste rock

available at the mines is treated and sand-like particles are created, which have the same flowability as of sand and this material can be replaced. The consumption of sand is around Rs.10 Crores annually at this point of time, but then this is going to increase. So, the company is going to save something in cost as well as the environmental impact will come down. That is all from my side. Thank you.

**Moderator:** Thank you very much. We will now begin the question and answer session. The first question is from the line of Rahul Jain from Systematics. Please go ahead.

**Rahul Jain:** Good evening Sir. Congratulations on a good set of numbers. Just if you could give us some guidance as to how the volumes are looking for this year and year after and also some color on how the capex program is proceeding, we have this big plan to go to 2.5 million tonnes over the next three years so some road map as to what success you are seeing in this year? That is my first question.

**M. P. Chaudhari:** Let me finish off the first question. That is better. Otherwise I would forget. We have production target of around 14.00 lakh MT for the current year. This is under finalization and around 50,000 tonnes is consumed captively. So the balance 13.50 lakh will be available for sale. But you are aware that during the first quarter partially the production has been affected. We will try to make it up, but then the production plan as of today stands at 14 lakh MT. So far as capex plans are concerned, we have plan of around Rs.293 Crores for the current year. This takes into consideration the lower capex that we will incur which was due in fact in the earlier year so on the shaft sinking activities also we have two major projects of shaft sinking at Balaghat and Gumgaon mines. During the last year 2020-21 the work was affected and the Chinese team had gone back to their place and we could not have done the shaft sinking. As against capex target of Rs.187 Crores on this projects, we could incur only Rs.5 Crores. Now the Chinese team has come back to Balaghat. Gumgaon team is yet to arrive. They are saying by 30 June 2021 they will arrive. So let us see 15 July 2021 we can expect to commence the work at Gumgaon mine also. Balaghat work has already started and it is operating at around 80% capacity. They are doing their work. Initial startup activities are over. Now shaft sinking has started. So mostly both the projects are affected at least by 15 months. So that is it.

**Rahul Jain:** 15 months so you are saying by the year end we should complete with both the projects?

**M. P. Chaudhari:** No. Work has started only in April that too at Balaghat, Gumgaon is yet to start. It will take around June 2022 and August 2022 I think.

- Rahul Jain:** Thank you and Sir coming on pricing Sir how are we seeing pricing of late and also there is some talk on manganese being added in battery and things like that for electric vehicles something there are some news reports on these things?
- M. P. Chaudhari:** So far as pricing is concerned you know we have been maintaining price parity, but we also take in consideration the domestic scenario in respect of ferro alloys production (I mean, their selling prices, their production pattern and inventory levels as well as in monsoon the turnover and production and sales are affected) - taking all these factors into consideration we have taken a decision to roll over the prices this month. Earlier prices were marginally on a higher side as compared to the input prices so that is why this decision was taken. These prices are volatile so it is very difficult to say. It depends on the Chinese port stocks also.
- Rahul Jain:** How are they currently like what do you compare say six months ago?
- M. P. Chaudhari:** Around 0.09 million tonnes of difference is there I think.
- Rahul Jain:** Sir thank you that is very helpful. Thank you.
- Moderator:** Thank you. The next question is from the line of Abhijeet D from BNP Paribas. Please go ahead.
- Abhijeet D:** Good afternoon Sir and congratulations on a good performance. I was very interested to see that for the first time you could produce more than 4 lakh tonnes in any quarter of manganese ore. So my question was obviously you alluded to the previous question but on a steady state this is of course barring the monsoon quarter can you produce 400,000 tonnes?
- M. P. Chaudhari:** We have proved that.
- Abhijeet D:** Sorry.
- M. P. Chaudhari:** We have proved that.
- Abhijeet D:** Yes you have proved that, but on a steady state basis? I just wanted to know whether there was some barring the monsoon?
- M. P. Chaudhari:** Yes, monsoon season and there are no disturbances disturbances like COVID which has impacted us this quarter also. We have established that we can produce 4 lakh tonnes.

- Abhijeet D:** Okay and as and when Gumgoan and Balaghat ramps up, that number can go higher is what you are saying?
- M. P. Chaudhari:** Yes.
- Abhijeet D:** If I am not mistaken Sir by 2025 you are talking about a capacity of 2 million tonnes overall in terms of production of manganese ore so despite being kind of delays you have seen in some of your capex projects are you sticking to numbers Sir for 2025?
- M. P. Chaudhari:** We are trying hard to make it up.
- Abhijeet D:** Right Sir and lastly Sir of late especially in the last three to four months we have seen quite a sharp jump in ferro alloy prices globally and also in India of course and Indian exports of ferro alloy have also picked up quite well because of various disruptions across the globe in terms of supply? Traditionally Sir many of these ferro alloy companies were dependant on ore imports manganese ore imports rather than buying much from the domestic market? So over the last one or two years have you seen things change at least on that front and going ahead do you think domestic mining companies like yours can have higher market share with them?
- M. P. Chaudhari:** I would say that whatever we have produced we have been able to sell. The balance the other producers whatever they contribute and the balance has to be imported.
- Abhijeet D:** Sir so what you are saying is if you can ramp up your own production.
- M. P. Chaudhari:** We do not have any marketing issues. I do not foresee any problem on that front.
- Abhijeet D:** But some of them always tend to complain about the grade which MOIL supplies especially the higher grade any comment on that Sir?
- M. P. Chaudhari:** I do not think I need to comment on that. We have our quality control set up also.
- Abhijeet D:** Right Sir. Thank you and all the best.
- Moderator:** Thank you. The next question is from the line of Prashant Shah an Individual Investor. Please go ahead.
- Prashant Shah:** Good evening and thank you. Congratulations for a great achievement on the last year. I just want to know little bit in this quarter like current quarter there is any production on sales impacted during current quarter or not?

- M. P. Chaudhari:** You are talking about January to March 2021 or April to June 2021.
- Prashant Shah:** Current quarter?
- M. P. Chaudhari:** Current quarter April to June 2021 definitely it is impacted, but then not to the extent it was impacted in the earlier year.
- Prashant Shah:** So comparatively the position is better and what is the expectation for the current year for first half or second half? It should be better than the last year?
- M. P. Chaudhari:** It should be because the production increase that we have been able to achieve in the last quarter I mean that is January to March 2021 that we will try to achieve that kind of performance every quarter (barring monsoon season). So improvement has to be there and as I have told you in response to an earlier query, our annual production target for the year is 14.00 lakh tonnes. To some extent it will be affected due to slowdown during this period, but we will try to achieve that target.
- Prashant Shah:** Practically more hit taken in the month of May during second wave increase?
- M. P. Chaudhari:** No from March itself it is affected.
- Prashant Shah:** Okay thank you Sir.
- Moderator:** Thank you. The next question is from the line of Vipul Shah from Sumangal Investment. Please go ahead.
- Vipul Shah:** Congratulations for very good set of numbers. Sir I think I missed your opening so can you give me production number for quarter and year because you did not put it on the website that is why?
- M. P. Chaudhari:** It is there on the website of MOIL. In short I will tell you. Current quarter production was 4.02 lakh MT against 3.3 lakh MT in the earlier period - an increase of 21% and manganese ore sales.
- Vipul Shah:** Out of 4.02 you were saying manganese.
- M. P. Chaudhari:** No 4.02 lakh is manganese ore production during the quarter January to March 2021 as against 3.3 lakh metric tonnes in January to March 2020 so that is an increase of 21%.
- Vipul Shah:** And for the full year?

- M. P. Chaudhari:** Sales of manganese ore have improved to 4.13 lakh MT from 2.97 lakh MT so this is an increase of 39%.
- Vipul Shah:** Okay and whenever you send the notice to stock exchange there some U grade and EMD so what is the difference between the two and what is the difference between the realization between the two?
- M. P. Chaudhari:** We send it, it is about ferro grade
- Vipul Shah:** No ferro grade and FMG grade and manganese 30 and 25?
- M. P. Chaudhari:** Ferro grade fetches the highest returns. Then silico manganese grade and the fines are still lower. Electrolytic manganese di-oxide is a value added product.
- Vipul Shah:** But that constitutes how much percentage of your structure?
- M. P. Chaudhari:** Around Rs.10 Crores turnover, not much.
- Vipul Shah:** No more okay so between your major production if you have to split between the three generally how it is split, ferro grade...
- M. P. Chaudhari:** I could not get you sorry.
- Vipul Shah:** I am not able because there are different type of grades? I am trying to understand that out of your total production quantity how much is of different, different grades?
- M. P. Chaudhari:** See ferro grade was around 2.16 lakh MT in the current quarter as against 1.76 lakh MT in the January to March 2020 quarter. Then silico manganese grade was 1.23 lakh in the current quarter as against 0.90 and fines are at 0.61 lakh MT against 0.67 lakh MT.
- Vipul Shah:** So how is the realization varies between for all the three, ferro grade, silicon and fines?
- M. P. Chaudhari:** Ferro grade is Rs.15,000.
- Vipul Shah:** Per metric tonne.
- M. P. Chaudhari:** Per metric tonne, silico manganese grade is around Rs.5500 and fines around Rs.2500 to Rs.3000. This quarter it has fetched Rs.2757 ,to be very precise.



- Vipul Shah:** Okay and when your expansion projects ends what will be your name sake production capacity?
- M. P. Chaudhari:** I did not get you sorry.
- Vipul Shah:** I think your expanding at Balaghat?
- M. P. Chaudhari:** Yes Balaghat and Gumgaon projects.
- Vipul Shah:** Once you have completed that what will be your total production capacity?
- M. P. Chaudhari:** Right now we are producing around 3 lakh metric tonnes at Balaghat, the production capacity after our horizontal development in the new shaft is completed will be ramped up to around 6.67 lakh metric tonnes.
- Vipul Shah:** So overall how much it will increase?
- M. P. Chaudhari:** Overall it will be for the company as a whole it will be around 16 to 17 lakh metric tonnes.
- Vipul Shah:** When will that happen at the end of this financial year?
- M. P. Chaudhari:** No, this financial year even shaft sinking activities will not be completed. Shaft sinking is delayed by around 15 months - time overrun is there. So the projects will be completed by June 2022 and may be August 2022. Accordingly, thereafter the horizontal development is to be taken up. So horizontal development itself takes around one to one and a half year. Then the overall production starts and that to it increase gradually. It is not that in the first year itself we will be producing extra 3 lakh tonnes.
- Vipul Shah:** Extra 3 lakh tonnes it will have to wait another two to three years?
- M. P. Chaudhari:** Or at least four years it will take I would say.
- Vipul Shah:** Okay Sir thank you and all the best.
- Moderator:** Thank you. The next question is from the line of Vishal Chandak from Dam Capital Advisors Limited. Please go ahead.
- Vishal Chandak:** Thank you Sir. Sir a couple of months ago you had put up a press release saying that the joint venture with Steel Authority of India for production of ferro alloys jointly that had been shelved off and you are now independently progressing towards setting up your own

ferro alloys plant? So what is your status over there? By what time can we see the plant commissioning and how the financial will change because once that plant comes up you will be consuming part of the manganese ore captively and producing and selling ferro alloys so how would the economics change and what time frame will it take some light on that project?

**M. P. Chaudhari:** So far as Gumgaon project is concerned, we have purchased land and we have filed application for environmental clearance. The first steps towards grant of environmental clearance has been completed. Now some studies are going on. Some reports have to be obtained and thereafter the case would be taken up by the expert advisory committee for grant of EC. In the intervening period, we are finalizing our technical specifications and tender documents. This activity is carried out parallely and thereafter we would float the tenders after getting environmental clearance and the award of work will happen thereafter only. It takes around 18 months for putting up the plant. The environmental clearance may take around six months from now because we have recently received the terms of reference. Accordingly around 2023 we will be able to complete the project. As far as Balaghat plant is concerned, land purchase is going on. Thereafter the same activity - I mean the filing application for environmental clearance and then doing all those things that would be done, will be done. In case of Balaghat since the Gumgaon project technical specifications and everything will be ready. There we will save some time.

**Vishal Chandak:** So will both tenders awarded simultaneously or whether you retain the optionality to award the same?

**M. P. Chaudhari:** Before getting the environmental clearance it is difficult to place the order.

**Vishal Chandak:** What will be the capacity of these?

**M. P. Chaudhari:** It is 50,000 tonnes at Balaghat mine and 25,000 tonnes at Gumgaon mine silico magnesium.

**Vishal Chandak:** Got it and Sir what would be the capex over there?

**M. P. Chaudhari:** Capex put together is Rs.425 Crores, around Rs.260 Crores for Balaghat and the balance for this Gumgaon project.

**Vishal Chandak:** So Gumgaon the capex would be smaller but capacity would be higher?

**M. P. Chaudhari:** No capacity is just half.

- Vishal Chandak:** You mentioned Rs.260 Crores for Balaghat or is it Gumgaon?
- M. P. Chaudhari:** Balaghat, around Rs.165 Crores for Gumgaon project.
- Vishal Chandak:** And Gumgaon is 50 KT?
- M. P. Chaudhari:** Gumgaon is 25,000 tonnes and Balaghat is 50,000 tonnes.
- Vishal Chandak:** Got it. Sir of late there was a question regarding manganese ore of manganese production EV and off late there has been a lot of discussions with regard to refining of manganese ore? China is controlling about 80% of the manganese metal refining capacity globally so any plans to set up manganese refining capacity rather than just staying on to intermediaries like ferro alloy because EV is going to explode like anything and this would be the next big opportunity?
- M. P. Chaudhari:** Yes this is a very good opportunity, so we are looking at this. Already we are in the electrolytic manganese dioxide segment which is also used for producing e-vehicle batteries. EMM also we are trying. Some research work is going on. We have assigned jobs to a research institute to do this and we will be going ahead with the plan once the success comes.
- Vishal Chandak:** Lastly just one question from my side. Sir you talked about the patent on the back filling of the mines so what kind of benefits do we see from this patent other than the environmental benefit is there a cash flow benefit also coming through?
- M. P. Chaudhari:** Yes definitely it is there because we are spending huge amount on transportation so that will come down. Mostly we will try to use waste rock generated at the underground mines only to convert into the M-sand. We will save on the transportation cost. Around Rs.10 Crores I said we are spending on this at present. So that will come down. When our production goes up, the activity level also goes up and hence this amount will also go up. So to that extent the saving will also increase.
- Vishal Chandak:** Right that is very helpful. Thank you very much Sir.
- Moderator:** Thank you. The next question is from the line of Prashant Shah an Individual Investor. Please go ahead.
- Prashant Shah:** Good evening Sir. Is there any plan for buyback or disinvestment or bonus in the current financial year?

- M. P. Chaudhari:** Disinvestment plans are made by the Government of India so as of today, nobody has talked to us about this and already around 35% of our equity is in public. So I do not think there is any further scope and buyback as far as the guidelines issued by DIPAM. This year we will have to examine that issue but then it is too premature to talk about it at this stage.
- Prashant Shah:** Okay thank you Sir.
- Moderator:** Thank you. The next question is from the line of Anand Shah from ICICI Prudential Asset Management Company Limited. Please go ahead.
- Anand Shah:** Good evening. Congratulations for a good result. Sir I joined a little late. Just wanted to get an understanding if you have guided for the capacity because we are doing capex to increase capacity to 3 million tonnes by 2030? Where do we stand in terms of our capex and when do we see the production ramp up to 2 million tonnes and 3 million tonnes?
- M. P. Chaudhari:** Since you have missed something instead of repeating the whole thing I would request you - probably the recording of this call is being put on website tomorrow on BSE and NSE website also. There you will be able to get all the details and we can save our precious time.
- Anand Shah:** Perfectly alright. Thank you Sir.
- Moderator:** Thank you. The next question is from the line of Sagar Gandhi from Future Generali Life Insurance. Please go ahead.
- Sagar Gandhi:** Sir my question is the EMD that we produce in the current form is it currently used in electrical vehicle batteries?
- M. P. Chaudhari:** No it requires further refinement. The iron content has to be brought down. The led content has also to be brought down. We have been partly successful in this, but then it needs to be refined further so the experiments are going on and we have also engaged two research labs to carry out the experiments on our behalf. So after we are through then we will be planning to have our plants.
- Sagar Gandhi:** So Sir in your judgment how close we are to success? Will it be 50%, 60%, 90% or how?
- M. P. Chaudhari:** See for research projects I do not think anybody can answer this question.
- Sagar Gandhi:** So my only understanding of this EMD was that there is a lot of EMD that...

- M. P. Chaudhari:** We have improved it drastically in the past two to three years okay. When we have started carrying out experiments in our plant, in-house research we have carried out and drastic improvement in the quality has been there. That is also one of the reasons that our average realizations, which used to be around Rs.75,000 per tonne earlier it is now Rs.1,21,000 and this is absorbed by the market well. So there has been good improvement in the quality, but then something further needs to be done especially for e-vehicle batteries.
- Sagar Gandhi:** Sir those who have complete technology in this segment what are their realizations?
- M. P. Chaudhari:** MOIL is the only producer in India.
- Sagar Gandhi:** What I understand is at least 10 times of what you produce is being imported into India so what I was just thinking is if you could capture on this market it can be a big segment for you in future?
- M. P. Chaudhari:** Yes of course. That we are trying very seriously.
- Sagar Gandhi:** So our realizations for these players who are exporting to India?
- M. P. Chaudhari:** Our realization even after improvement will not improve drastically because already in the segment in which we are producing we are having input price parity.
- Sagar Gandhi:** Okay so only volumes there is a possibility that volume?
- M. P. Chaudhari:** Volumes and substitution with something which matters for the country as a whole. So we are seriously doing this.
- Sagar Gandhi:** But there cannot be any timeline you believe by when you will be successful?
- M. P. Chaudhari:** Research is going on.
- Sagar Gandhi:** Okay thank you so much Sir.
- Moderator:** Thank you. As there are no further questions, I would now like to hand the conference over to Mr Vishal Chandak from Dam Capital Advisors Limited.
- Vishal Chandak:** Thank you very much everyone for participating in this call and I would just request Mr. Chaudhari to give his closing remarks.

**M. P. Chaudhari:** Okay thanks to all for this con-call and my best wishes to all of you. Thank you and thanks to Vishal and DAM Capital also. Thank you.

**Moderator:** Thank you. On behalf of Dam Capital Advisors Limited that concludes this conference. Thank you for joining us and you may now disconnect your lines.