

February 10, 2024

**RESULT REPORT Q3 FY25** | Sector: Metals and Mining

# NMDC Ltd

**In-line quarter; Volumes continue to improve; assign ADD!**

## Results Synopsis

NMDC's Q3FY25 performance was marginally in-line with consensus expectations on account of rising realizations as well as higher volumes after a poor monsoon hit Q2FY25. The realization/t for the quarter stood at Rs 5,389/t vs Rs 4,876/t during Q2FY25. Net revenue from operations grew 33% QoQ and 21% YoY coming in at Rs 65,678 mn, with EBITDA up 71% QoQ and 18% YoY at Rs 23,720 mn.

On the operational front, the production and sales volumes both showed strong recovery after the monsoon season. Production volumes for the quarter stood at 13.29 mt vs 8.28 mt during Q2FY25. Sales volumes for the quarter stood at 11.94 mt vs 9.74 mt during Q2FY25.

## Result Highlights

- Consolidated Revenue from operations for the quarter stood at Rs 65,678 mn (vs our estimate of Rs 65,127 mn) up 33.5% QoQ and c.21% YoY, driven by higher iron ore volumes and the price hike that kicked in during the start of the quarter.
- Absolute EBITDA for the quarter stood at Rs 23,720 mn (vs our estimate of 25,975 mn). EBITDA margins stood at c.36% for the quarter vs 28% in Q2FY25 and 37% in Q3FY24.
- Net profit for the quarter stood at Rs 18,820 mn (vs our estimate of Rs 21,013 mn), up 55% QoQ and 27% YoY.
- Production for the quarter stood at 13.29 mt vs 8.28 mt during Q2FY25.
- Sales volumes stood at 11.94 mt vs 9.74 mt during Q2FY25.
- Realization/t for iron ore stood at Rs 5,389/t vs Rs 4,876/t benefitting from the price hike NMDC took during early-October.

## Valuation and View

We project Revenue/EBITDA/PAT growth for NMDC at a CAGR of 7%/2%/1%, over FY24-27E. Our assumptions see an increase in the volumes from FY24-27E at a 9.2% CAGR however, a falling global iron ore pricing environment is expected to limit margins going forward.

We rollover our estimates to FY27E and value NMDC at 6x FY26E EV/EBITDA to arrive at our revised target price of Rs 75/sh.

## Exhibit 1: Actuals vs Estimates

Rs mn	Actuals	Estimates		% Variation		Remarks
		YES Sec	Consensus	YES Sec	Consensus	
Revenue	65,678	65,127	65,036	0.8%	1.0%	EBITDA miss on margin contraction; Volumes continue to remain strong.
EBITDA	23,720	25,975	25,719	(8.7%)	(7.8%)	
EBITDA (%)	36.12%	39.88%	39.55%	(377bps)	(343bps)	
PAT	18,820	21,013	20,522	(10.4%)	(8.3%)	

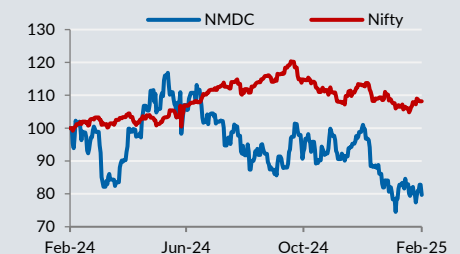
Source: YES Sec

Reco	: ADD
CMP	: Rs 64
Target Price	: Rs 75
Potential Upside	: +18%

## Stock data (as on Feb 10, 2025)

Nifty	23,382
52 Week h/l (Rs)	95 / 60
Market cap (Rs/USD mn)	586063 / 6705
Outstanding Shares (mn)	8,792
6m Avg t/o (Rs mn):	2,601
Div yield (%):	4.0
Bloomberg code:	NMDC IN
NSE code:	NMDC

## Stock performance



	1M	3M	1Y
Absolute return	1.7%	-18.5%	-20.3%

## Shareholding pattern (As of Dec'24 end)

Promoter	60.8%
FII+DII	26.8%
Others	12.4%

## Δ in estimates

FY27E	New	Old
EV multiple	6.0x	NA
EBITDA (Rs mn)	93,679	NA

## Δ in stance

(1-Yr)	New	Old
Rating	ADD	NEUTRAL
Target Price	75	87

## Financial Summary

(Rs mn)	FY25E	FY26E	FY27E
Revenue	243,881	248,136	261,809
YoY %	14.5	1.7	5.5
EBIDTA	90,982	92,096	93,679
% Margins	37.3	37.1	35.8
PAT	75,530	76,079	76,514
EPS	8.6	8.7	8.7
ROE (%)	26.0	23.4	21.3
ROCE (%)	28.4	25.9	23.9

**MANAV GOGIA**

Research Analyst

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## Results Highlights (continued)

- On outstanding dues from RINL – “As of December 31, 2024, the outstanding receivables from Rashtriya Ispat Nigam Limited (RINL) towards the supply of iron ore stands at Rs. 3,428.50 crore. A revival plan has been approved by Cabinet Committee on Economic Affairs (CCEA) on January 17, 2025. Considering that RINL is under restructuring under the oversight of Ministry of Steel, the timing of cash flow is uncertain and is not practicable for the company to estimate the timing of recovery of these amounts at this point of time. Since RINL is expected to revive and gradually reach its full production capacity under the restructuring package, the management of the Company remains confident that the entire outstanding amount will be fully recoverable. Accordingly, no provision for these dues is considered necessary at this stage”
- On the Karnataka Mining Tax Bill, the company states – “The Karnataka Legislature passed the Karnataka (Mineral Rights and Mineral Bearing Land) Tax Bill, 2024, in December 2024. However, as of the date of publishing results, it remains a bill, pending the assent of the Hon'ble Governor of Karnataka. If enacted in its current form, the company may be liable to pay taxes retrospectively as per the specified rates in the bill. Considering its current status, the estimated amount of Rs. 13,510.90 crores have been considered as a contingent liability. The Governor's request for clarifications and ongoing stakeholder discussions indicates that changes are likely before enactment. As per the terms of Long-Term Agreements and Auction Notices, any statutory duties, levies, or taxes introduced in the future are recoverable from customers/bidders. Once the bill is finalized, the company will evaluate all available legal recourses for recovering these charges from customers/ bidders.”

## Exhibit 2: Consolidated Quarterly Snapshot

Rs mn	Q1FY24	Q2FY24	Q3FY24	Q4FY24	Q1FY25	Q2FY25	Q3FY25	% qoq	% yoy
Revenue from operations	53,947	40,140	54,099	64,893	54,142	49,189	65,678	33.5%	21.4%
Raw materials consumed	27	36	62	84	40	35	36	1.1%	(43.0%)
Consumption of stores and spares	1,305	1,164	1,213	2,846	1,432	1,828	1,888	3.3%	55.7%
Change in inventories	767	2,845	(739)	(3,807)	(413)	4,900	(3,408)	(169.6%)	361.5%
Royalties	23,189	15,050	23,211	30,690	20,228	17,504	30,319	73.2%	30.6%
Employee costs	3,649	3,928	3,984	4,695	3,890	4,188	4,399	5.0%	10.4%
Selling expenses	862	634	869	1,019	1,020	1,458	1,319	(9.5%)	51.7%
Other expenses	4,212	4,579	5,426	8,348	4,546	5,419	6,268	15.7%	15.5%
EBITDA	19,935	11,904	20,072	21,017	23,399	13,857	23,720	71.2%	18.2%
EBITDA %	37.0%	29.7%	37.1%	32.4%	43.2%	28.2%	36.1%	28.2%	(2.7%)
Other income	2,942	3,210	3,366	4,191	3,649	3,608	3,751	4.0%	11.4%
Depreciation and amortization	692	888	820	1,106	737	1,031	1,027	(0.4%)	25.2%
Finance costs	62	186	321	214	231	291	606	108.2%	89.0%
Exceptional items	-	-	2,523	299	-	-	-	NA	(100.0%)
Profit before tax	22,123	14,041	19,774	23,589	26,080	16,142	25,839	60.1%	30.7%
Taxes	5,511	3,790	5,073	9,430	6,444	4,184	6,869	64.2%	35.4%
Profit after tax	16,612	10,251	14,701	14,159	19,636	11,958	18,970	58.6%	29.0%
Share of profit/(loss)	(77)	11	120	(58)	57	97	(167)	(272.3%)	(238.9%)
Minority interest	12	(3)	(22)	(29)	(18)	(63)	(20)	(68.7%)	(11.3%)
Profit attributable to owners	16,522	10,262	14,839	14,127	19,708	12,116	18,820	55.3%	26.8%
EPS	5.64	3.50	5.06	4.82	6.72	4.13	2.14	(48.2%)	(57.7%)

Source: Company, YES Sec

### Exhibit 3: Consolidated Quarterly Snapshot

mn tonnes	Q1FY24	Q2FY24	Q3FY24	Q4FY24	Q1FY25	Q2FY25	Q3FY25	% qoq	% yoy
<b>Consolidated performance</b>									
Production	10.703	8.856	12.223	13.240	9.189	8.280	13.290	60.5%	8.7%
Sales	10.975	9.571	11.394	12.541	10.073	9.740	11.940	22.6%	4.8%
Realization/t (Rs)	4,851	4,145	4,679	5,125	5,304	4,876	5,389	10.5%	15.2%
EBITDA/t (Rs)	1,816	1,244	1,762	1,676	2,323	1,423	1,987	39.6%	12.8%

Source: Company, YES Sec

### Exhibit 4: Valuation Summary

Particulars	FY27E
EBITDA	93,679
EV Multiple (x)	6.00
EV	562,077
Net debt (H1FY25)	(101,043)
Market capitalization	663,120
No of shares outstanding	8,792
Rs/sh	75.42
CMP	64.12
Upside %	17.6%

Source: YES Sec

## KEY CONFERENCE CALL TAKEAWAYS

### General business updates

- The Tax liability per tonne will change significantly. Currently the company pays Rs15 (Royalty) + Rs22.5 (Premiums) + Rs1.5 (DMF) + Rs0.3 (NMET) for the total royalty payments. Post the impact of the bill in Karnataka, the Premiums are expected to reach Rs 45. Thereby, elevating the total outlay to about c.Rs 65 for ever 100 Rs of iron ore sold. The royalties however will be passed on to the customers.
- On the Trump Tarriffs of 25% on Steel and Aluminium, the management says that India exports a very small quantity to the US and as such no immediate impact should be seen.
- Cash balances as of 31<sup>st</sup> January 2025 – Rs 7,696 crores.
- RINL has started paying back NMDC dues as the company received about Rs 11,000 crores of grant from the government.
- Pricing cuts can take place from hereon considering how steel prices have continued to be under-pressure.
- JSW Steel, JSPL, AMNS and RINL account for roughly 70% of NMDC's revenues.
- The supply to customers is at RINL: 18%; Vizag 15%; JSW Steel: 26% and JSPL at 7%.

### NMDC Steel

- Production guidance for the company for FY25 – 1.8 to 2.0 mn tonnes. The company break evens at about 1.6 to 1.7 mn tonnes.
- NMDC Steel: Q3FY25 Production was 367kt. Sales were 160kt. The sales are facing bottlenecks as the company is facing challenges in procuring rakes for transportation.
- NMDC steel should be break-even at a production run rate of 465-480 kt per quarter.
- NMDC's receivables from NMDC Steel shall start getting paid once the plant becomes breakeven.

### Capex and Projects

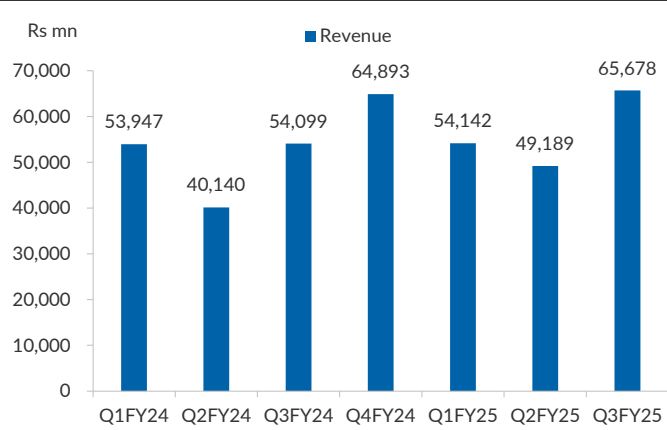
- To go to 100 mtpa of iron ore production: A new guidance of Rs 700,000 mn from Rs 500,000 mn stated earlier.
- The pellet plant will be commissioned by the end of FY25. (Capacity of 2.0 mtpa can go upto 6.0 mtpa which is included in the Rs 70,000 crore plan)
- NMDC has cancelled its slurry pipeline phase-II (Nagarnar to Vizag) due to uncertainty on where the pipeline will culminate.
- Out of the 131 km slurry pipeline – currently c.31 kms is pending
- Mining ECs for expansions are expected to be received during the month of February 2025.

### Volumes and Guidance

- Capex guidance of Rs 4,000 crores for FY25 with a long-term capex of Rs 6,500 – 8,000 crores over the next few years to reach the 100 mtpa mark by 2030-31.
- Production guidance for Q4FY25: 15-16 mt.
- FY26E: 53 mt target for production; FY27E: 60 mt of production, with incremental loading of ~6-7mt from two new lines (line-4 in Bachel and line-13 in Kirandul).

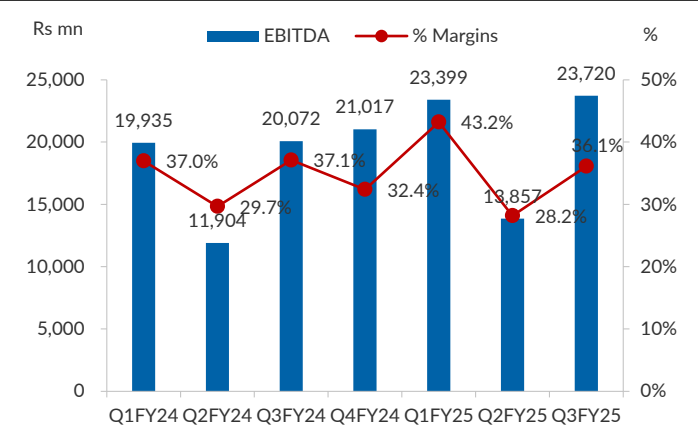
## QUARTERLY TRENDS

**Exhibit 5: Revenues over the quarters**



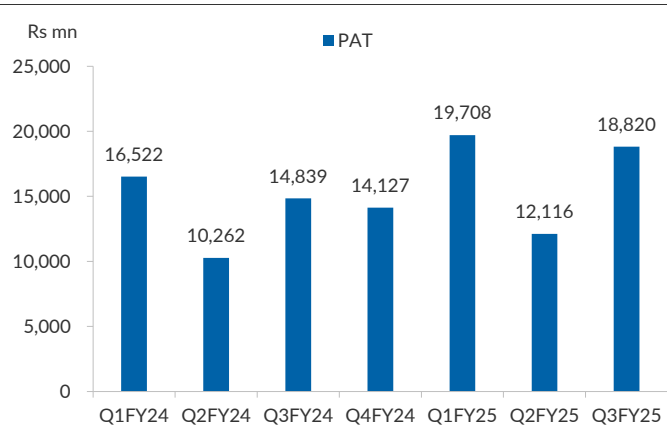
Source: Company, YES Sec

**Exhibit 6: EBITDA impacted with falling pricing**



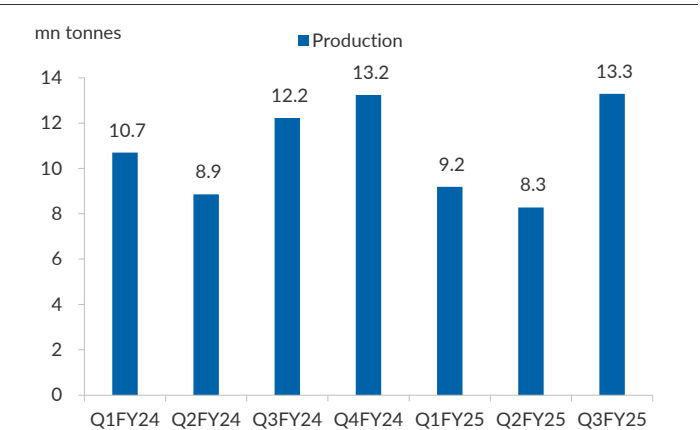
Source: Company, YES Sec

**Exhibit 7: Profits remain intact**



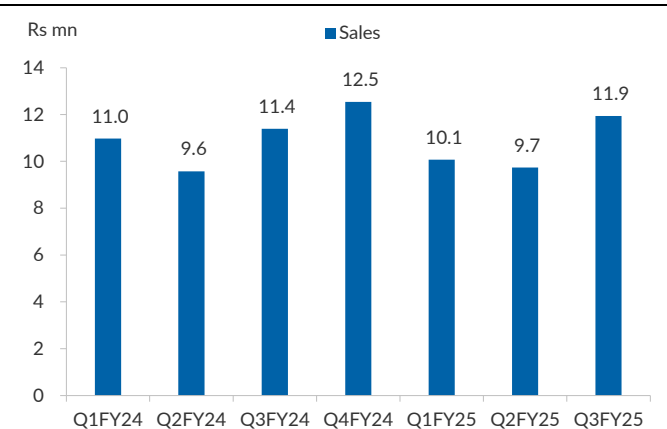
Source: Company, YES Sec

**Exhibit 8: Production volumes**



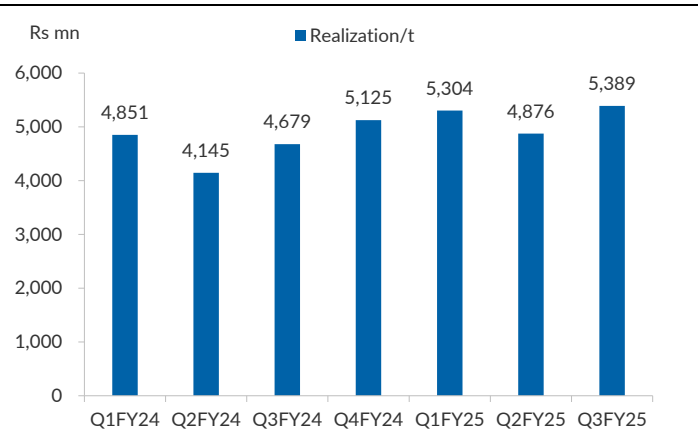
Source: Company, YES Sec

**Exhibit 9: Sales picture across quarters**



Source: Company, YES Sec

**Exhibit 10: Realization/t**



Source: Company, YES Sec

## FINANCIALS OVERVIEW

**Exhibit 11: Income Statement**

Y/e 31 Mar (Rs mn)	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
Revenue	153,701	259,648	176,669	213,079	243,881	248,136	261,809
Cost of goods sold	31,070	93,309	78,554	97,945	107,140	106,909	117,600
Employee cost	10,852	13,371	15,306	16,255	18,092	18,610	19,636
Selling expenses	6,953	2,277	2,630	3,385	5,444	5,707	6,022
Other expenses	16,933	24,447	19,654	22,566	22,223	24,814	24,872
EBITDA	87,893	126,245	60,525	72,928	90,982	92,096	93,679
% margin	57.2%	48.6%	34.3%	34.2%	37.3%	37.1%	35.8%
Depreciation	2,285	2,877	3,362	3,507	3,902	3,970	4,189
Other income	3,516	7,185	7,682	13,709	14,988	14,239	13,527
Finance costs	168	391	752	782	926	926	926
Exceptional items	-	-	(12,373)	2,822	-	-	-
Profit before tax	88,955	130,162	76,466	79,527	101,143	101,439	102,092
Taxes	26,485	35,751	21,082	23,804	25,691	25,360	25,578
Profit after tax	62,770	94,287	56,015	55,751	75,530	76,079	76,514
EPS	21.4	32.2	19.1	19.0	8.6	8.7	8.7

Source: Company, YES Sec

**Exhibit 12: Balance Sheet**

Y/e 31 Mar (Rs mn)	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
<b>Assets</b>							
Net Block	33,139	30,246	23,813	24,779	38,877	52,907	66,718
CWIP	171,065	13,283	19,916	32,305	44,305	56,305	68,305
Non-current Assets	263,296	91,941	123,994	141,125	166,904	193,555	221,362
Inventory	9,217	21,252	26,606	27,670	39,627	39,542	43,496
Receivables	21,399	41,905	43,612	35,089	30,068	30,592	32,278
Cash & Bank	58,618	79,775	70,978	123,637	127,400	134,656	137,249
Current Assets	105,996	169,536	175,528	215,476	222,465	230,399	239,398
<b>Total Assets</b>	<b>369,298</b>	<b>261,485</b>	<b>299,529</b>	<b>356,610</b>	<b>389,370</b>	<b>423,954</b>	<b>460,761</b>
<b>Equity and Liabilities</b>							
Share Capital	2,931	2,931	2,931	2,931	2,931	2,931	2,931
Reserves	295,910	177,252	223,278	253,628	287,581	321,817	356,248
Non-current Liabilities	16,269	12,486	14,113	15,833	15,833	15,833	15,833
Current Liabilities	54,053	68,682	59,066	84,048	82,854	83,204	85,578
<b>Total Equity and Liabilities</b>	<b>369,298</b>	<b>261,485</b>	<b>299,529</b>	<b>356,610</b>	<b>389,370</b>	<b>423,954</b>	<b>460,761</b>

Source: Company, YES Sec

**Exhibit 13: Cash Flow Statement**

Y/e 31 Mar (Rs mn)	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
Profit before tax	88,955	130,162	76,466	79,527	101,143	101,439	102,092
Profit before working capital changes	92,851	135,999	75,207	73,490	105,970	106,335	107,207
Working capital changes	4,498	(23,075)	(36,146)	18,567	(4,411)	(328)	(4,031)
Cash flow from operations	97,349	112,924	39,061	92,058	101,560	106,006	103,176
Taxes paid	(24,687)	(43,506)	(20,685)	(18,110)	(25,691)	(25,360)	(25,578)
<b>Net cash flow from operating activities</b>	<b>72,661</b>	<b>69,418</b>	<b>18,376</b>	<b>73,948</b>	<b>75,868</b>	<b>80,647</b>	<b>77,598</b>
Capex	(16,221)	(11,983)	(12,472)	(18,471)	(18,000)	(18,000)	(18,000)
Other investments	(26,942)	(20,156)	14,495	(42,293)	(11,681)	(12,621)	(13,996)
<b>Net cash flow from investing activities</b>	<b>(43,163)</b>	<b>(32,139)</b>	<b>2,023</b>	<b>(60,764)</b>	<b>(29,681)</b>	<b>(30,621)</b>	<b>(31,996)</b>
Proceeds/(repayment) from borrowings	1,429	344	(907)	1,235	-	-	-
Other financial activities	(27,342)	(41,013)	(19,767)	(14,255)	(42,424)	(42,769)	(43,009)
<b>Net cash flow from financing activities</b>	<b>(25,913)</b>	<b>(40,669)</b>	<b>(20,674)</b>	<b>(13,020)</b>	<b>(42,424)</b>	<b>(42,769)</b>	<b>(43,009)</b>
Opening cash balance	1,056	4,641	1,206	930	1,094	1,457	2,614
Net change in cash	3,585	(3,389)	(276)	164	3,763	7,256	2,593
<b>Ending cash balance</b>	<b>4,641</b>	<b>1,206</b>	<b>930</b>	<b>1,094</b>	<b>1,457</b>	<b>2,614</b>	<b>1,562</b>

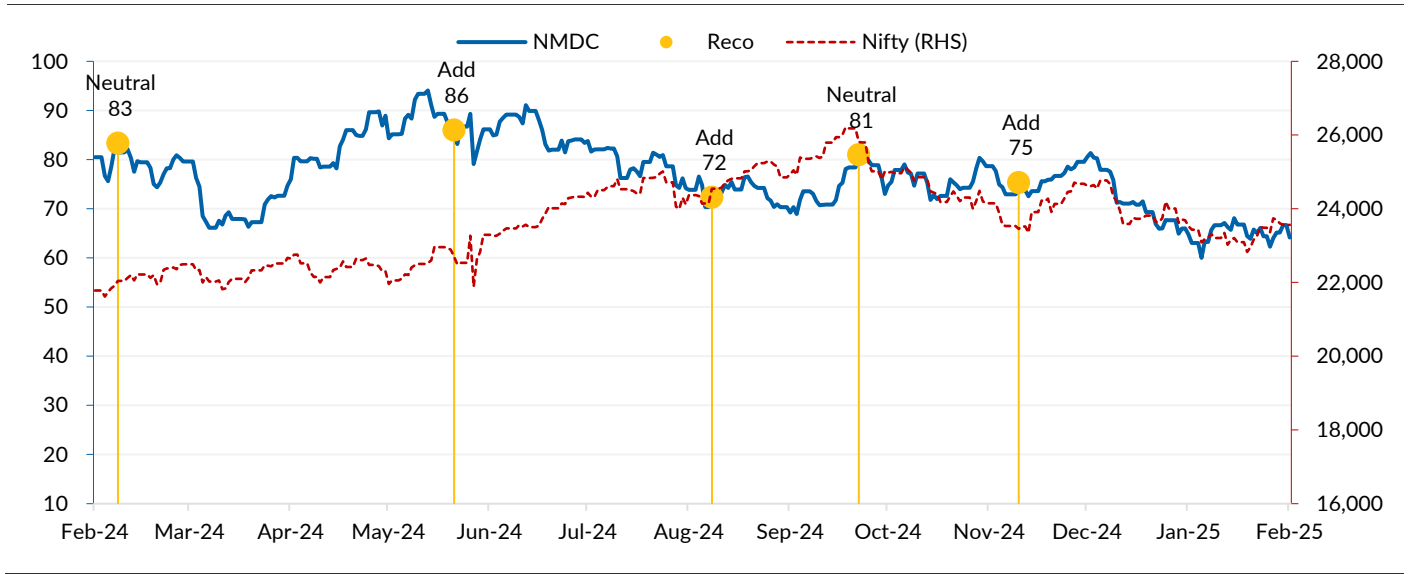
Source: Company, YES Sec

**Exhibit 14: Key Ratios**

Y/e 31 Mar (Rs mn)	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
<b>Growth (%)</b>							
Revenues	31.4	68.9	(32.0)	20.6	14.5	1.7	5.5
EBITDA	46.4	43.6	(52.1)	20.5	24.8	1.2	1.7
EBIT	50.0	44.1	(53.7)	21.4	25.4	1.2	1.5
PAT	73.4	51.1	(41.3)	0.6	35.4	0.8	0.6
<b>Profitability (%)</b>							
EBIDTA Margins	57.2	48.6	34.3	34.2	37.3	37.1	35.8
EBIT Margins	55.7	47.5	32.4	32.6	35.7	35.5	34.2
PAT Margins	40.8	36.3	31.7	26.2	31.0	30.7	29.2
ROE	21.0	52.3	24.7	21.7	26.0	23.4	21.3
ROCE	27.2	64.0	23.8	25.5	28.4	25.9	23.9
<b>Per Share Data (Rs)</b>							
EPS	21.4	32.2	19.1	19.0	8.6	8.7	8.7
BVPS	102.0	61.5	77.2	87.6	33.1	37.0	40.9
<b>Valuations (x)</b>							
P/E	4.5	3.6	5.5	13.8	7.5	7.4	7.4
P/BV	1.0	1.9	1.4	3.0	1.9	1.7	1.6

Source: Company, YES Sec

**Recommendation Tracker**





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