

October 03, 2023

COMPANY UPDATE | Sector: Metals and Mining

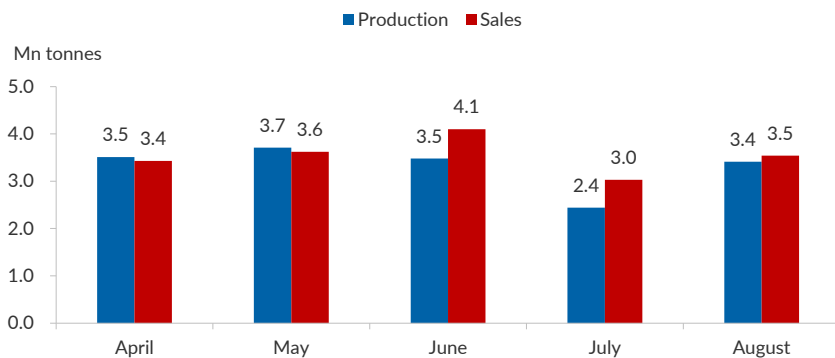
NMDC Ltd.

Operational performance expected to stay strong to meet guidance

NMDC Ltd's operational performance:

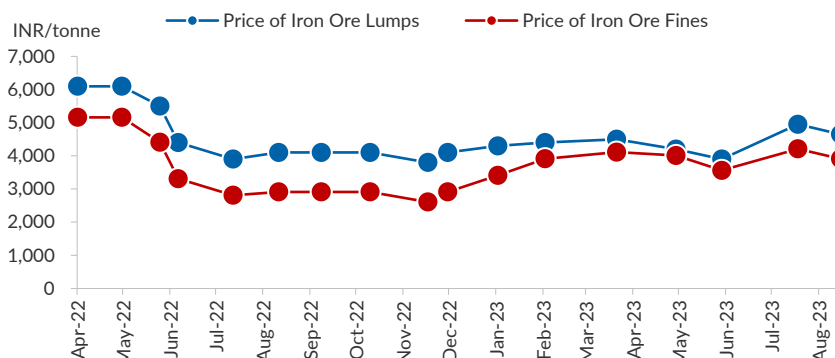
- After having the best-ever Q1 performance in terms of production and sales during FY24, NMDC has set high targets when it comes to its mine expansion and operational output plans.
- The management is aiming to reach a goal of being an iron ore miner with a production capacity of ~100 mtpa by the year 2030, in-line with the National Steel Policy goals.
- During the first five months of the financial year (April-August), the company has produced a total of 16.55 mn tonnes of iron ore and made sales of 17.72 mn tonnes.
- The management guidance for production for the year is between 47.0 - 49.0 mn tonnes. For the company, to meet its guidance figures, we expect higher production during the second half of the financial year.
- With the capacity additions being done by the major steel producers in India, the demand for iron ore is expected to rise and NMDC being the preferred iron ore supplier will ride on the back of the volume growth in the steel sector.

Exhibit 1: Production and Sales for FY24 (Apr-Aug)



Source: Company, YES Sec

Exhibit 2: NMDC Iron Ore Pricing



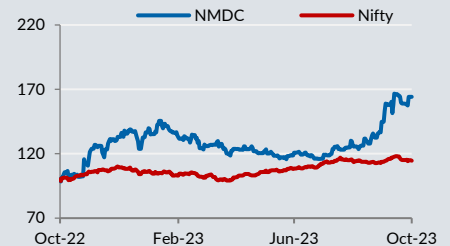
Source: Company, YES Sec

Reco	: REDUCE
CMP	: Rs 148
Target Price	: Rs 141
Potential Upside	: -5%

Stock data (as on Sep 29, 2023)

Nifty	19,638
52 Week h/l (Rs)	154 / 85
Market cap (Rs/USD mn)	433583 / 5212
Outstanding Shares (mn)	2,931
6m Avg t/o (Rs mn):	1,137
Div yield (%):	4.6
Bloomberg code:	NMDC IN
NSE code:	NMDC

Stock performance



	1M	3M	1Y
Absolute return	13.4%	41.4%	64.1%

Shareholding pattern (As of June'23 end)

Promoter	60.8%
FII+DII	25.0%
Others	14.2%

Financial Summary

(Rs mn)	FY23	FY24E	FY25E
Revenue	176,669	207,957	199,920
YoY Growth	(32.0%)	17.7%	(3.9%)
EBIDTA	68,208	89,752	81,136
EBITDA (%)	39%	43%	41%
PAT	55,384	64,280	57,749
EPS	19.11	21.93	19.70
ROCE	23.0%	23.3%	18.8%
ROE	24.5%	24.6%	19.7%

MANAV GOGIA

Research Analyst

manav.gogia@ysil.in

+91 22 68850521



FINANCIALS

Exhibit 3: Income Statement

Y/e 31 Mar (Rs mn)	FY18	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
Revenue	116,149	121,527	116,992	153,701	259,648	176,669	207,957	199,920	223,440
COGS	24,682	23,510	24,368	32,178	93,309	78,554	91,512	85,166	93,845
Employee Cost	10,492	10,394	10,494	10,852	13,371	15,306	14,830	15,594	16,981
Other Expenses	22,947	18,379	22,111	22,777	26,724	22,284	21,027	27,189	29,047
Total Expenditure	58,121	52,283	56,973	65,808	133,403	116,144	127,369	127,949	139,873
Other Income	5,232.2	5,889.6	5,143.6	3,516.0	7,185.2	7,682.2	9,164.4	9,164.4	9,164.4
EBITDA	63,260	75,134	65,163	91,409	133,430	68,208	89,752	81,136	92,731
EBITDA (%)	54.5%	61.8%	55.7%	59.5%	51.4%	38.6%	43.2%	40.6%	41.5%
Depreciation	2,566	2,790	2,949	2,285	2,877	3,362	3,812	3,998	4,469
EBIT	60,694	72,343	62,214	89,123	130,553	64,846	85,940	77,137	88,262
EBIT (%)	52.3%	59.5%	53.2%	58.0%	50.3%	36.7%	41.3%	38.6%	39.5%
Interest	371	403	99	168	391	752	259	139	19
Exceptional Items	(1,443)	-	964	-	-	(12,373)	-	-	-
PBT	61,766	71,940	61,150	88,955	130,162	76,466	85,681	76,998	88,243
Tax	23,733	25,565	25,127	26,485	35,751	21,082	21,401	19,250	22,061
PAT	38,032	46,375	36,023	62,471	94,411	55,384	64,280	57,749	66,182
EPS	12.04	15.08	11.67	21.42	32.17	19.11	21.93	19.70	22.58

Source: Company, YES Sec

Exhibit 4: Balance Sheet

Y/e 31 Mar (Rs mn)	FY18	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
Gross Block	36,766	39,238	42,283	44,800	55,533	38,750	59,546	85,535	112,348
Accumulated Depreciation	5,270	7,253	9,744	11,661	25,287	14,937	19,096	23,094	27,563
Net Block	31,496	31,985	32,539	33,139	30,246	23,813	40,450	62,441	84,785
CWIP	125,451	138,189	155,002	171,065	13,283	19,916	25,890	28,479	31,327
Inventory	5,717	6,662	7,235	9,217	21,252	26,606	25,072	23,333	25,711
Receivables	14,727	14,245	22,237	21,399	29,543	26,560	28,487	27,386	30,608
Cash & Bank	54,610	46,194	24,375	58,618	79,775	70,978	82,271	90,426	88,731
Total Assets	286,913	298,912	312,944	369,298	249,123	282,477	312,879	342,523	380,675
Share Capital	3,164	3,062	3,062	2,931	2,931	2,931	2,931	2,931	2,931
Reserves	241,010	257,378	273,669	295,910	177,252	223,278	258,672	290,474	326,915
Non-current Liabilities	7,141	7,685	8,338	16,269	12,486	14,113	14,113	14,113	14,113
Current Liabilities	35,449	30,648	27,795	54,053	56,321	42,014	37,021	34,863	36,574
Total Equity & Liabilities	286,913	298,912	312,944	369,298	249,123	282,477	312,879	342,523	380,675

Source: Company, YES Sec

Exhibit 5: Cash Flow Statement

Y/e 31 Mar (Rs mn)	FY18	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
Profit before Tax	61,766	71,940	61,150	88,955	130,162	76,466	85,681	76,998	88,243
Add: Non-cash charges	4,118	3,126	3,777	3,896	5,837	329	4,071	4,138	4,488
Profit before Working Capital changes	65,884	75,067	64,927	92,851	135,999	76,795	89,752	81,136	92,731
Working capital changes	(8,438)	(9,028)	(20,872)	4,498	(23,075)	(31,454)	858	1,933	(11,944)
Cash flow from Operations	57,446	66,038	44,056	97,349	112,924	45,341	90,610	83,068	80,787
Taxes Paid	(23,683)	(26,023)	(22,796)	(24,687)	(43,506)	(20,685)	(21,401)	(19,250)	(22,061)
Net Cash flow from Operating Activities	33,763	40,015	21,260	72,661	69,418	24,656	69,209	63,819	58,727
Capex	(20,578)	(20,060)	(24,035)	(16,221)	(11,983)	(14,013)	(20,796)	(25,990)	(26,813)
Other Investments	1,929	12,167	20,907	(26,942)	(20,156)	14,446	(5,975)	(2,589)	(2,848)
Net Cash flow from Investing Activities	(18,649)	(7,892)	(3,128)	(43,163)	(32,139)	433	(26,770)	(28,579)	(29,661)
Proceeds/(Repayment) from borrowings	5,001	(1,359)	2,014	14,289	14,889	(13,765)	(2,000)	(1,000)	(1,000)
Other financial activities	(20,573)	(30,651)	(19,547)	(40,202)	(44,052)	(752)	(29,145)	(26,086)	(29,761)
Net Cash flow from Financing Activities	(15,572)	(32,010)	(17,533)	(25,913)	(40,669)	(25,365)	(31,145)	(27,086)	(30,761)
Opening Cash Balance	802	344	457	1,056	4,641	1,206	930	12,224	20,378
Net Change in Cash	(458)	113	599	3,585	(3,389)	(276)	11,294	8,155	(1,695)
Ending Cash Balance	344	457	1,056	4,641	1,206	930	12,224	20,378	18,683

Source: Company, YES Sec

Exhibit 6: Key Ratios

Y/e 31 Mar	FY18	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
Growth (%)									
Total Sales	31.6%	4.6%	(3.7%)	31.4%	68.9%	(32.0%)	17.7%	(3.9%)	11.8%
EBITDA	40.4%	18.8%	(13.3%)	40.3%	46.0%	(48.9%)	31.6%	(9.6%)	14.3%
EBIT	40.9%	19.2%	(14.0%)	43.3%	46.5%	(50.3%)	32.5%	(10.2%)	14.4%
PAT	47.2%	21.9%	(22.3%)	73.4%	51.1%	(41.3%)	16.1%	(10.2%)	14.6%
Profitability (%)									
GP Margins	78.8%	80.7%	79.2%	79.1%	64.1%	55.5%	56.0%	57.4%	58.0%
EBIDTA Margins	54.5%	61.8%	55.7%	59.5%	51.4%	38.6%	43.2%	40.6%	41.5%
EBIT Margins	52.3%	59.5%	53.2%	58.0%	50.3%	36.7%	41.3%	38.6%	39.5%
PAT Margins	32.7%	38.2%	30.8%	40.6%	36.4%	31.3%	30.9%	28.9%	29.6%
ROCE	15.1%	17.3%	12.6%	19.8%	49.0%	23.0%	23.3%	18.8%	19.2%
ROE	15.6%	17.8%	13.0%	20.9%	52.4%	24.5%	24.6%	19.7%	20.1%
Per Share Data (Rs)									
EPS	12.0	15.1	11.7	21.4	32.2	19.1	21.9	19.7	22.6
BVPS	77.2	85.1	90.4	102.0	61.5	77.2	89.3	100.2	112.6
Valuations (x)									
P/E	7.1	5.0	4.9	4.5	3.6	5.5	6.8	7.5	6.6
P/BV	1.1	0.9	0.6	1.0	1.9	1.9	1.7	1.5	1.3
EV/EBIDTA	4.3	3.1	2.8	3.3	2.7	6.4	4.7	5.1	4.5
Market Cap/Sales	2.3	1.9	1.5	1.8	1.3	2.5	2.1	2.2	1.9

Source: Company, YES Sec

DISCLAIMER

Investments in securities market are subject to market risks, read all the related documents carefully before investing.

The information and opinions in this report have been prepared by YSL and are subject to change without any notice. The report and information contained herein are strictly confidential and meant solely for the intended recipient and may not be altered in any way, transmitted to, copied or redistributed, in part or in whole, to any other person or to the media or reproduced in any form, without prior written consent of YSL.

The information and opinions contained in the research report have been compiled or arrived at from sources believed to be reliable and have not been independently verified and no guarantee, representation of warranty, express or implied, is made as to their accuracy, completeness, authenticity or validity. No information or opinions expressed constitute an offer, or an invitation to make an offer, to buy or sell any securities or any derivative instruments related to such securities. Investments in securities are subject to market risk. The value and return on investment may vary because of changes in interest rates, foreign exchange rates or any other reason. Investors should note that each security's price or value may rise or fall and, accordingly, investors may even receive amounts which are less than originally invested. The investor is advised to take into consideration all risk factors including their own financial condition, suitability to risk return profile and the like, and take independent professional and/or tax advice before investing. Opinions expressed are our current opinions as of the date appearing on this report. Investor should understand that statements regarding future prospects may not materialize and are of general nature which may not be specifically suitable to any particular investor. Past performance may not necessarily be an indicator of future performance. Actual results may differ materially from those set forth in projections.

Technical Analysis reports focus on studying the price movement and trading turnover charts of securities or its derivatives, as opposed to focusing on a company's fundamentals and opinions, as such, may not match with reports published on a company's fundamentals.

YSL, its research analysts, directors, officers, employees and associates accept no liabilities for any loss or damage of any kind arising out of the use of this report. This report is not directed or intended for distribution to, or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject YSL and associates to any registration or licensing requirement within such jurisdiction. The securities described herein may or may not be eligible for sale in all

jurisdictions or to certain category of investors. Persons in whose possession this document may come are required to inform themselves of and to observe such restriction.

YES Securities (India) Limited distributes research and engages in other approved or allowable activities with respect to U.S. Institutional Investors through SEC 15a-6 rules and regulations under an exclusive chaperone arrangement with Brasil Plural Securities LLC. The views and sentiments expressed in this research report and any findings thereof accurately reflect YES Securities (India) Limited analyst's truthful views about the subject securities and or issuers discussed herein. YES Securities (India) Limited is not registered as a broker-dealer under the Securities Exchange Act of 1934, as amended (the "Exchange Act") and is not a member of the Securities Investor Protection Corporation ("SIPC"). Brasil Plural Securities LLC is registered as a broker-dealer under the Exchange Act and is a member of SIPC. For questions or additional information, please contact Gil Aikins (gil.aikins@brasilplural.com) or call +1 212 388 5600.

This Research Report is the product of YES Securities (India) Limited. YES Securities (India) Limited is the employer of the research analyst(s) who has prepared the research report. YES Securities (India) Limited is the employer of the YES Securities (India) Limited Representative who is responsible for the report, are responsible for the content of the YES Securities (India) Limited Research Report; any material conflicts of interest of YES Securities (India) Limited in relation to the issuer(s) or securities discussed in the YES Securities (India) Limited Research Report. This YES Securities (India) Limited Research Report is distributed in the United States through Brasil Plural Securities LLC (BPS). The research analyst(s) preparing the research report is/are resident outside the United States (U.S.) and is/ are not associated persons of any U.S. regulated broker-dealer and therefore the analyst(s) is/are not subject to supervision by a U.S. broker-dealer, and is/are not required to satisfy the regulatory licensing requirements of FINRA or required to otherwise comply with U.S. rules or regulations regarding, among other things, communications with a subject company, public appearances and trading securities held by a research analyst account. This report is intended for distribution by YES Securities (India) Limited only to "Major Institutional Investors" as defined by Rule 15a-6(b)(4) of the U.S. Securities and Exchange Act, 1934 (the Exchange Act) and interpretations thereof by U.S. Securities and Exchange Commission (SEC) in reliance on Rule 15a-6(a)(2). If the recipient of this report is not a Major Institutional Investor as specified above, then it should not act upon this report and return the same to the sender. Further, this report may not be copied, duplicated and/or transmitted onward to any U.S. person or entity. Transactions in securities discussed in this research report should be effected through Brasil Plural Securities LLC (BPS) or another U.S. registered broker dealer/Entity as informed by YES Securities (India) Limited from time to time.

YES Securities (India) Limited

Registered Address: 2nd Floor, North Side, YES BANK House,
Off Western Express Highway, Santacruz East,
Mumbai - 400 055, Maharashtra, India.

Correspondence Address: 4th Floor, AFL House,
Lok Bharti Complex, Marol Maroshi Road, Andheri East,
Mumbai - 400059, Maharashtra, India.

☎ +91 22 68850521 | ✉ research@ysil.in
Website: www.yesinvest.in

Registration Nos.: CIN: U74992MH2013PLC240971 | SEBI Single
Registration No.: NSE, BSE, MCX & NCDEX : INZ000185632 | Member
Code: BSE - 6538, NSE - 14914, MCX - 56355 & NCDEX - 1289 | CDSL &
NSDL: IN-DP-653-2021 | MERCHANT BANKER: INM000012227 |
RESEARCH ANALYST: INH000002376 | INVESTMENT ADVISER:
INA000007331 | Sponsor and Investment Manager to YSL Alternates
Alpha Plus Fund (CAT III AIF) SEBI Registration No.: IN/AIF3/20-21/0818 |
AMFI ARN Code - 94338.

Details of Compliance Officer: Name: Aditya Goenka,
Email id: compliance@ysil.in, **Contact No:** 022- 65078127 (Extn: 718127)

Grievances Redressal Cell: customer.service@ysil.in/igc@ysil.in

DISCLOSURE OF INTEREST

Name of the Research Analyst : Manav Gogia

The analyst hereby certifies that opinion expressed in this research report accurately reflect his or her personal opinion about the subject securities and no part of his or her compensation was, is or will be directly or indirectly related to the specific recommendation and opinion expressed in this research report.

Sr. No.	Particulars	Yes/No
1	Research Analyst or his/her relative's or YSL's financial interest in the subject company(ies)	Yes
2	Research Analyst or his/her relative or YSL's actual/beneficial ownership of 1% or more securities of the subject company(ies) at the end of the month immediately preceding the date of publication of the Research Report	No
3	Research Analyst or his/her relative or YSL has any other material conflict of interest at the time of publication of the Research Report	No
4	Research Analyst has served as an officer, director or employee of the subject company(ies)	No
5	YSL has received any compensation from the subject company in the past twelve months	No
6	YSL has received any compensation for investment banking or merchant banking or brokerage services from the subject company in the past twelve months	No
7	YSL has received any compensation for products or services other than investment banking or merchant banking or brokerage services from the subject company in the past twelve months	No
8	YSL has received any compensation or other benefits from the subject company or third party in connection with the research report	No
9	YSL has managed or co-managed public offering of securities for the subject company in the past twelve months	No
10	Research Analyst or YSL has been engaged in market making activity for the subject company(ies)	No

Since YSL and its associates are engaged in various businesses in the financial services industry, they may have financial interest or may have received compensation for investment banking or merchant banking or brokerage services or for any other product or services of whatsoever nature from the subject company(ies) in the past twelve months or associates of YSL may have managed or co-managed public offering of securities in the past twelve months of the subject company(ies) whose securities are discussed herein.

Associates of YSL may have actual/beneficial ownership of 1% or more and/or other material conflict of interest in the securities discussed herein.

.....

Analyst Signature

.....

RECOMMENDATION PARAMETERS FOR FUNDAMENTAL REPORTS

Analysts assign ratings to the stocks according to the expected upside/downside relative to the current market price and the estimated target price. Depending on the expected returns, the recommendations are categorized as mentioned below. The performance horizon is 12 to 18 months unless specified and the target price is defined as the analysts' valuation for a stock. No benchmark is applicable to the ratings mentioned in this report.

BUY: Upside greater than 20% over 12 months

ADD: Upside between 10% to 20% over 12 months

NEUTRAL: Upside between 0% to 10% over 12 months

REDUCE: Downside between 0% to -10% over 12 months

SELL: Downside greater than -10% over 12 months

NOT RATED / UNDER REVIEW

ABOUT YES SECURITIES (INDIA) LIMITED

YES Securities (India) Limited ("YSL") is a wholly owned subsidiary of YES BANK LIMITED. YSL is a Securities and Exchange Board of India (SEBI) registered Stock broker holding membership of National Stock Exchange (NSE), Bombay Stock Exchange (BSE), Multi Commodity Exchange (MCX) & National Commodity & Derivatives Exchange (NCDEX). YSL is also a SEBI-registered Category I Merchant Banker, Investment Adviser and Research Analyst. YSL is also a Sponsor and Investment Manager of Alternate Investment Fund - Category III (YSL Alternates) and AMFI registered Mutual Fund Distributor. The Company is also a registered Depository Participant with CDSL and NSDL. YSL offers, inter alia, trading/investment in equity and other financial products along with various value added services. We hereby declare that there are no disciplinary actions taken against YSL by SEBI/Stock Exchanges.