Q2FY27 Quarterly Result Review

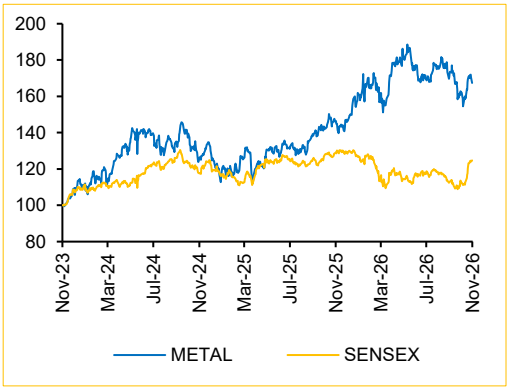
Monsoon Hits Ore Volumes; Downstream and Value-Added Mix Hold Up Coverage Earnings

Sector View: Positive

Recommendation			
Company (Ticker)	CMP (INR)	TP (INR)	Rated
LLOYDSME	1,800	2,390	BUY
NMDC	70.0	107	BUY
SAMBHV	152	210	BUY
MONOLITH	1,267	1,778	BUY

Relative Performance (%)			
YTD	3Y	2Y	1Y
METAL	67.3	35.1	14.3
SENSEX	24.8	5.8	(3.4)

Source: Choice Institutional Equities



Source: Choice Institutional Equities

Q2FY27 was a monsoon quarter, and it showed in mining volumes. **Iron-ore dispatches fell sharply QoQ at both LLOYDSME and NMDC**, but the **downstream and value-added businesses across our coverage held earnings up**. Our coverage now has four companies, with **Sambhv Steel Tubes (SAMBHV)** added after our Sep 2026 initiation. The weakness was seasonal rather than structural: India's steel-capacity build-out towards **300 MnT** keeps the demand case for iron ore, pellets, pipes and refractories intact.

LLOYDSME sold only **2.12 MnT of iron ore vs 5.46 MnT in Q1FY27**, yet consolidated **EBITDA grew 75% YoY to INR 18.0 Bn**. Pellet sales of 2.05 MnT and DRI EBITDA/t of INR 9,231 made up for the lower ore tonnage. **Steel & VAP contributed 67% of standalone EBIT** (49% in Q2FY26), and standalone EBITDA margin rose **419 bps YoY to 37.2%**.

NMDC posted its best-ever Q2 output of **12.16 MnT (+19% YoY)**, but sales slipped 2% YoY to 10.48 MnT. Royalty, levies and freight rose to **44.7% of sales** (36.6% in Q2FY26), and **EBITDA margin fell 203 bps YoY to 29.2%**. H1 production is ~5.1 MnT ahead of sales, so H2 dispatches will decide FY27.

SAMBHV reported record revenue of **INR 8.4 Bn (+44% YoY)** on VAP volumes up 27% YoY, and PAT nearly doubled. **MONOLITH** grew revenue 88% YoY with EBITDA margin at **29.5% (+1,049 bps YoY)**, as the **SGB Limited series reached ~61% of revenue**. Its Metalurgica greenfield started commercial production on Oct 10, 2026.

We retain **BUY on all four stocks with unchanged TPs**. **LLOYDSME stays our top pick**: it is the one name where downstream earnings already offset mining seasonality, and H2 should be stronger, with the ore run-rate back above 2 MnT/month and the **1.2 MnT steel plant due in Q4FY27**. At CMP, the stock trades at an implied **8.1x FY28E EV/EBITDA**, with 32.8% upside to our TP of INR 2,390.

Long-term Investment Ideas

LLOYDSME_Q2FY27_Result Update

TP: 2,390 | Upside: 32.8%

Downstream carries the quarter: Steel & VAP at 67% of Q2 standalone EBIT; EBITDA margin up 419 bps YoY to 37.2% despite monsoon-hit ore sales.

Stronger H2 set-up: Ore run-rate back at 2+ MnT/month; 1.2 MnT steel plant due in Q4FY27; Chemaf settlement could cut group debt by ~INR 53 Bn.

Coverage Comparison and Financial Metrics

Company	CMP (INR)	TP (INR)	Rev. CAGR (FY26-29E)	EBITDAM % FY26 / FY29E	PATM % FY26 / FY29E	EV/EBITDA (x) FY26 / FY29E
LLOYDSME*	1,740	2,390	27.2%	33.0 / 37.6	23.3 / 25.6	22.7 / 10.1
NMDC	70.0	107.0	5.0%	28.9 / 38.8	23.2 / 26.4	6.1 / 4.2
SAMBHV	165	210	44.9%	11.4 / 12.0	5.9 / 6.1	18.3 / 7.1
MONOLITH	1,430	1,778	77.4%	23.6 / 36.3	17.0 / 26.4	96.6 / 10.2

**LLOYDSME figures are standalone*

Source: Company, Choice Institutional Equities

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Key Takeaways from Management Commentary in Q2FY27

Coverage Companies	Q2FY27 Key Result & Concall Highlights
LLOYDSME	▪ **Iron ore:** Production of 3.95 MnT (+15.5% YoY); sales fell to 2.12 MnT (Q1FY27: 5.46 MnT) as the monsoon cut dispatches. Realisation held at INR 6,076/t; EBITDA/t at INR 2,082 (Q1FY27: INR 2,230). H1 production of 10.0 MnT (+35% YoY); run-rate back at ~2+ MnT/month. ▪ **Pellets and DRI:** Pellet sales of 2.05 MnT (Q1FY27: 1.34 MnT) at EBITDA/t of INR 4,604 (Q1FY27: INR 5,803). DRI sales +81% YoY to 160.3 Kt at EBITDA/t of INR 9,231. Steel & VAP at 67% of standalone EBIT (Q2FY26: 49%). ▪ **FY27 guidance retained:** 26 MnT iron ore, 7.75-8 MnT pellets, 825 Kt DRI, 8-10 Kt copper; ~16 MnT of ore needed in H2. The 1.2 MnT steel plant remains on track for Q4FY27. ▪ **Capex and debt:** Q2 capex of INR 30.5 Bn (H1: INR 60.5 Bn); standalone net debt up to INR 93.2 Bn (Jun-26: INR 56.2 Bn). Chemaf settlement of up to USD 250 Mn could cut group debt by ~INR 53 Bn.
NMDC	▪ **Volumes:** Production of 12.16 MnT (+19.1% YoY), the highest-ever for a Q2; sales of 10.48 MnT (-2.2% YoY). H1 output of 27.27 MnT ran ~5.1 MnT ahead of sales of 22.21 MnT. ▪ **Realisation and costs:** Domestic realisation of INR 5,488/t (+10.4% YoY). Royalty, levies and freight at 44.7% of sales (Q2FY26: 36.6%); other expenses +70% YoY, partly on higher pellet job-work cost. ▪ **Profitability:** EBITDA of INR 19.4 Bn (-2.7% YoY) at 29.2% margin (-203 bps YoY); EBITDA/t of INR 1,851. Adj. PAT of INR 16.7 Bn (-1.8% YoY), helped by 29% higher other income. ▪ **Projects:** 2 MTPA Nagarnar pellet plant commissioned on Sep 27, 2026. Company indicates ~60 MnT of FY27 production (incl. ~1.5 MnT from the CMDC JV); we model ~57 MnT.
SAMBHV	▪ **Volumes:** VAP volumes +26.8% YoY to 1,13,591 MT, led by pre-galvanised coils & pipes (+59.0% YoY), structural pipes & tubes (+16.0%) and stainless steel (+24.9%). ▪ **Financials:** Record revenue of INR 8,360 Mn (+44.1% YoY); EBITDA of INR 1,010 Mn (+67.7% YoY) at 12.1% margin (+170 bps YoY, -91 bps QoQ on higher raw-material costs). PAT of INR 609 Mn (+99.2% YoY). ▪ **Kesda Phase I** (0.36 MMTPA stainless steel, INR 8.1 Bn) on track for Q4FY27; hot rolling mill equipment erection ~60% complete. Sarora DFT expansion (0.15 MMTPA) and 30 MW captive power plant targeted for Q2FY28. ▪ **New project:** Board approved a 14,400 MTPA stainless steel seamless pipes plant (INR 1.48 Bn), targeted for Mar-28. H1 operating cash flow of INR 3.1 Bn (H1FY26: INR 0.2 Bn).
MONOLITH	▪ **Financials:** Record revenue of INR 536 Mn (+88.2% YoY, +13.6% QoQ); EBITDA of INR 158 Mn (+192.2% YoY) at 29.5% margin (+1,049 bps YoY); PAT of INR 112 Mn (+145.1% YoY). ▪ **Mix:** SGB Limited at ~61% of revenue (Q1FY27: ~50%; Q4FY26: 15%), slightly below the ~65% guided; ~50% of SGB-777 customers migrated. Volumes of ~55,000 MT at EBITDA/t of ~INR 2,872. ▪ **Capacity:** Metalurgica greenfield began commercial production on Oct 10, 2026. Hospet (1,25,000 MTPA, Jul-27) and Udaipur (1,75,000 MTPA, Nov-27) to take group capacity to 8,75,000 MTPA by FY28. ▪ **Raw material and guidance:** Nawada (Bihar) quartzite block (7,10,000 MTPA approved) to start around mid-Jan 2027. FY27 guidance of ~INR 2.5 Bn revenue and 22-25% EBITDA margin retained.

Source: LLOYDSME, NMDC, SAMBHV, MONOLITH, Choice Institutional Equities

LONG-TERM INVESTMENT IDEAS

Key Financials (Standalone)					
INR Bn	FY25	FY26	FY27E	FY28E	FY29E
Net Revenue	67.2	136.8	205.6	233.7	281.7
YoY (%)	3.0	103.5	50.3	13.6	20.6
EBITDA	19.5	45.2	78.6	90.6	105.8
EBITDAM %	29.0	33.0	38.2	38.8	37.6
Adj. PAT	14.5	31.9	54.4	60.8	72.1
EPS	27.7	56.8	96.7	108.1	128.1
ROE %	31.5	35.1	37.6	30.2	27.1
ROCE %	27.4	25.3	23.5	19.5	19.4
EV/EBITDA (x)	46.8	22.7	14.0	12.0	10.1

Source: LLOYDSME, Choice Institutional Equities

Q2FY27 Snapshot (Standalone)					
INR Mn	Q2FY27	Q2FY26	YoY %	Q1FY27	QoQ %
Net Sales	41,320	25,480	62.2	54,129	(23.7)
EBITDA	15,381	8,417	82.7	21,202	(27.5)
EBITDAM (%)	37.2	33.0	419bp	39.2	(195)bp
Other Income	886	274	223.4	954	(7.1)
PBT	14,049	7,883	78.2	20,081	(30.0)
Adj. PAT	11,119	6,056	83.6	15,269	(27.2)
EPS (INR)	19.8	10.8	83.6	27.1	(27.2)

Source: LLOYDSME, Choice Institutional Equities

LLOYDSME | Rating: BUY | TP: INR 2,390

We keep **LLOYDSME as our top pick** with a **BUY rating and an unchanged SoTP-based TP of INR 2,390** (37.4% upside from CMP of INR 1,740). We value the standalone business at **14x FY28E EV/EBITDA (INR 2,059/share)** and the 71.89% stake in Thriveni at 8x (INR 329/share).

Q2FY27 was the first monsoon quarter with both pellet plants running, and the numbers held up better than the ore tonnage suggests. **Iron-ore sales fell to 2.12 MnT from 5.46 MnT in Q1FY27**, but **standalone EBITDA still grew 83% YoY to INR 15,381 Mn** and margin widened **419 bps YoY to 37.2%**. Consolidated revenue rose 55% YoY to INR 56,725 Mn, EBITDA 75% YoY to INR 18,035 Mn and PAT 86% YoY to INR 10,230 Mn.

The earnings mix has changed. Pellet sales of **2.05 MnT** (1.34 MnT in Q1FY27) and **DRI EBITDA/t of INR 9,231** covered the shortfall in ore, and **Steel & VAP contributed 67% of standalone EBIT** against 49% a year ago. This makes earnings less dependent on the mining calendar.

H2 should be the stronger half. H1 has delivered 47% of our FY27E EBITDA. Mining is back at ~2+ MnT/month, about 16 MnT is needed in H2 to meet the 26 MnT guidance, and the **1.2 MnT steel plant remains on track for Q4FY27**. We have trimmed FY27E EBITDA by 0.6% and raised FY28E by 1.1%.

What we are watching: pellet EBITDA/t (INR 4,604 vs INR 5,803 in Q1FY27); standalone net debt, which rose to **INR 93.2 Bn** after INR 30.5 Bn of Q2 capex (capex intensity should peak in FY27E); and Thriveni, where margin fell to 11.7%. The **Chemaf debt settlement (up to USD 250 Mn)** and DRC copper-cobalt cathodes from early FY28 are not in our TP.

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Choice Rating Distribution & Methodology	
Large Cap*	
BUY	The security is expected to generate upside of 15% or more over the next 12 months
ADD	The security is expected to show upside returns from 5% to less than 15% over the next 12 months
REDUCE	The security is expected to show upside or downside returns by 5% to -5% over the next 12 months
SELL	The security is expected to show downside of 5% or more over the next 12 months
Mid & Small Cap*	
BUY	The security is expected to generate upside of 20% or more over the next 12 months
ADD	The security is expected to show upside returns from 5% to less than 20% over the next 12 months
REDUCE	The security is expected to show upside or downside returns by 5% to -10% over the next 12 months
SELL	The security is expected to show downside of 10% or more over the next 12 months
Other Ratings	
NOT RATED (NR)	The stock has no recommendation from the Analyst
UNDER REVIEW (UR)	The stock is under review by the Analyst and rating may change
Sector View	
POSITIVE (P)	Fundamentals of the sector look attractive over the next 12 months
NEUTRAL (N)	Fundamentals of the sector are expected to be in stasis over the next 12 months
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***Large Cap: More Than INR 20,000 Cr Market Cap**
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