

Estimate changes

TP change

Rating change



Bloomberg	NMDC IN
Equity Shares (m)	2931
M.Cap.(INRb)/(USDb)	682.6 / 8.1
52-Week Range (INR)	286 / 167
1, 6, 12 Rel. Per (%)	3/-18/14
12M Avg Val (INR M)	3538

Financials & Valuations (INR b)

Y/E MARCH	2025E	2026E	2027E
Sales	257	273	306
Adj EBITDA	88	105	120
Adj. PAT	68	79	89
EBITDA Margin (%)	34	38	39
Cons. Adj. EPS (INR)	23	27	30
EPS Gr. (%)	18	16	12
BV/Sh. (INR)	103	122	144

Ratios

Net D:E	-0.4	-0.4	-0.4
RoE (%)	24.4	24.1	22.8
RoCE (%)	30.0	30.2	29.1
Payout (%)	33.3	31.3	28.1

Valuations

P/E (x)	10.0	8.6	7.7
P/BV (x)	2.3	1.9	1.6
EV/EBITDA(x)	6.5	5.2	4.2
Div. Yield (%)	3.3	3.6	3.6

Shareholding pattern (%)

As On	Sep-24	Jun-24	Sep-23
Promoter	60.8	60.8	60.8
DII	14.1	14.3	17.7
FII	12.6	12.8	8.3
Others	12.5	12.1	13.2

FII Includes depository receipts

CMP: INR233

TP: INR280 (+20%)

Buy

Revenue in line; high costs dent earnings

Consolidated result

- NMDC's revenue was in line with our est. at INR49b (+23% YoY), while it was down 9% QoQ. The sequential decline was due to weak NSR & muted volumes.
- Iron ore production stood at 8.3mt (YoY/QoQ: -7%/-10%), while sales came in at 9.9mt (YoY/QoQ: +4%/-1%) during the quarter.
- ASP stood at INR4,954/t (YoY/QoQ: +18%/-8%), in line with our est.
- EBITDA was INR14b (YoY/QoQ: +16%/-41%) vs. our estimate of INR17b. The miss was primarily due to the increase in operating costs. EBITDA/t stood at INR1,395/t (YoY/QoQ: +12% / -40%) vs. our estimate of INR1,679/t.
- APAT for the quarter stood at INR12b (YoY/QoQ: +17%/-39%) against our estimate of INR13b in 2QFY25, on account of muted operating performance.
- For 1HFY25, NMDC posted revenue of INR103b (+10% YoY), EBITDA of INR37b (+17% YoY), and adj. PAT of INR32b (+18% YoY). For 2H, its revenue is likely to grow at 29% YoY, EBITDA at 24% YoY, and APAT at 18% YoY.
- Iron ore production for 1HFY25 stood at 17.5mt and sales volume of 20mt, reporting a decline of 11% YoY and 3% YoY, respectively.
- Average blended NSR for 1HFY25 stood at INR5,167/t, grew by 13% YoY. EBITDA/t grew 20% YoY to INR1,863/t.
- The Board declared bonus shares in the ratio of 2:1.

Valuations remain attractive

- Despite weak volume in 1HFY25, the revenue growth remained healthy, led by better realization. NMDC raised iron ore prices twice in Oct'24, with cumulative hikes of INR1,000/t for lumps and INR800/t for fines. These price hikes will support realizations going forward.
- India's crude steel capacity is expected to reach 300mt by FY30-31, which will increase the iron ore requirement to ~435-445mt. As NMDC holds 16% of the market share, we believe it is well placed to capitalize on the opportunities ahead.
- NMDC has planned capex for various evacuation and capacity enhancement projects, which are expected to improve the product mix and increase its production capacity to ~100mt by FY29-30E.
- With challenges owing to pending EC clearances and monsoons behind, volume growth is likely to be robust going forward. At CMP, NMDC trades at 4.2x EV/EBITDA on FY27E. We marginally cut our FY25E EBITDA/PAT by 6% each due to weak 2QFY25 performance. **We reiterate our BUY rating on NMDC with a revised TP of INR280 (based on 6x Sep'26 EV/EBITDA).**
- Key risks:** More than 100 iron ore blocks have been auctioned since FY16. When the remaining captive mines become operational, it would lead to a rise in the supply of iron ore, thus intensifying the competition for NMDC.

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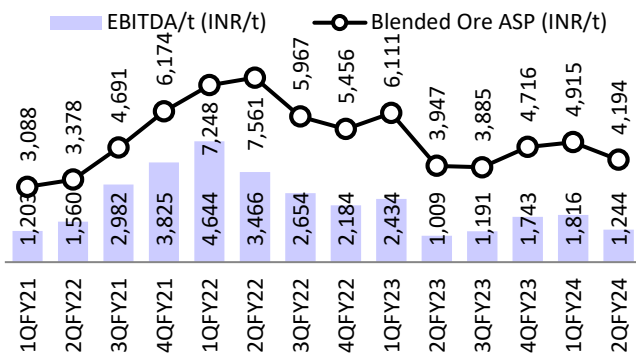
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Consolidated Quarterly Performance											(INR b)	
Y/E March	FY24				FY25E				FY24	FY25E	FY25	vs Est
	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE			2QE	(%)
Iron ore Production (mt)	10.7	8.9	12.2	13.2	9.2	8.3	12.7	18.6	45.0	48.7	8.3	-
Iron ore Sales (mt)	11.0	9.6	11.4	12.5	10.1	9.9	12.7	16.0	44.5	48.7	9.9	-
Avg NSR (INR/t)	4,915	4,194	4,748	5,174	5,377	4,954	5,304	5,425	4,623	5,287	4,877	1.6
Net Sales	53.9	40.1	54.1	64.9	54.1	49.2	67.1	86.9	213.1	257.3	48.4	1.6
Change (YoY %)	13.2	20.6	45.4	10.9	0.4	22.5	24.0	33.9	20.6	20.8		
Change (QoQ %)	-7.8	-25.6	34.8	20.0	-16.6	-9.1	36.4	29.5				
EBITDA	19.9	11.9	20.1	21.0	23.4	13.9	22.3	28.8	72.9	88.4	16.7	(16.9)
Change (YoY %)	5.0	39.9	76.0	-2.8	17.4	16.4	11.3	36.9	20.5	21.2		
Change (QoQ %)	-7.8	-40.3	68.6	4.7	11.3	-40.8	61.2	28.8				
EBITDA per ton (INR/t)	1,816	1,244	1,762	1,676	2,324	1,395	1,765	1,796	1,640	1,815	1,679	(16.9)
Interest	0.1	0.2	0.3	0.2	0.2	0.3	0.3	0.3	0.8	1.1		
Depreciation	0.7	0.9	0.8	1.1	0.7	1.0	1.0	1.0	3.5	3.8		
Other Income	2.9	3.2	3.4	4.2	3.6	3.6	3.4	3.5	13.7	14.1		
PBT (before EO Item)	22.1	14.0	22.3	23.9	26.1	16.1	24.4	30.9	82.3	97.6	19.2	(16.1)
Extra-ordinary item	0.0	0.0	-2.5	-0.3	0.0	0.0	0.0	0.0	-2.8	0.0		
PBT (after EO Item)	22.1	14.0	19.8	23.6	26.1	16.1	24.4	30.9	79.5	97.6		
Total Tax	5.5	3.8	5.1	9.4	6.4	4.2	7.1	11.5	23.8	29.3		
% Tax	24.9	27.0	25.7	40.0	24.7	25.9	29.0	37.4	29.9	30.0		
PAT before MI and Sh. of Asso.	16.6	10.3	14.7	14.2	19.6	12.0	17.4	19.3	55.7	68.3		
MI	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
Sh. of Asso.	-0.1	0.0	0.1	-0.1	0.0	0.0	0.0	0.0	0.0	0.0		
PAT after MI and Sh. of Asso.	16.5	10.3	14.8	14.1	19.6	12.0	17.4	19.3	55.8	68.3		
Adjusted PAT	16.5	10.3	16.8	14.3	19.6	12.0	17.4	19.3	57.8	68.3	13.3	(9.9)
Change (YoY %)	14.3	5.6	83.6	-9.0	18.8	16.5	3.6	35.1	18.0	18.0		
Change (QoQ %)	5.1	-37.9	63.2	-14.6	37.2	-39.1	45.2	11.4				

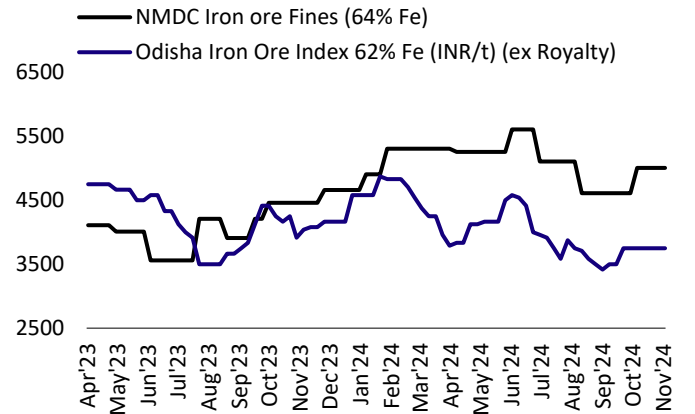
Story in charts

Exhibit 1: Muted NSR and high costs dented EBITDA/t QoQ



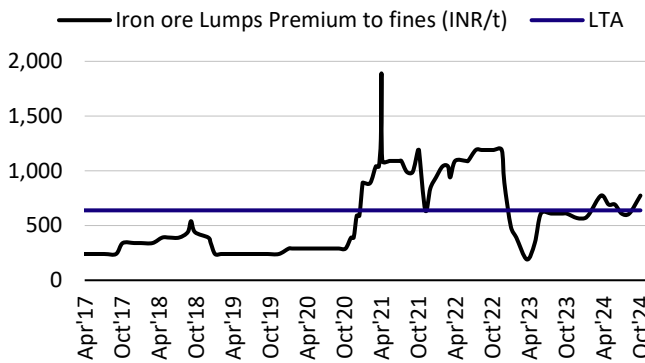
Source: MOFSL, Company

Exhibit 2: NMDC's fine prices to Odisha index



Source: MOFSL, SteelMint

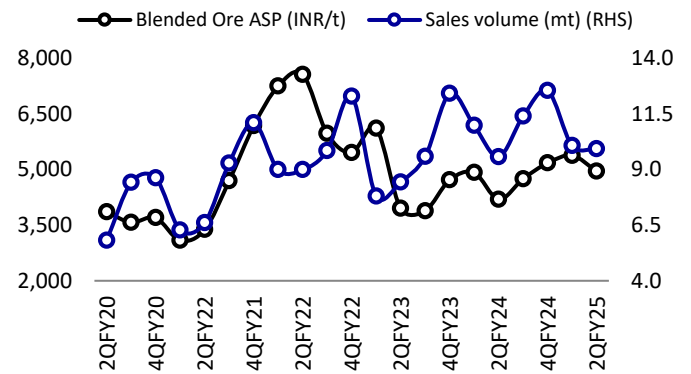
Exhibit 3: Lumps premium to fines remained close to its LTA



Source: MOFSL, Company

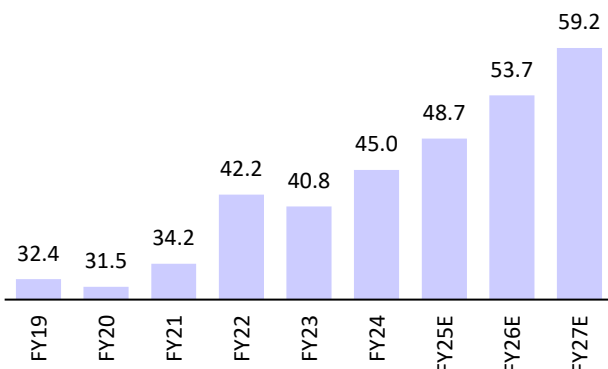
Note: The prices are adjusted to royalty, DMF and NMET

Exhibit 4: Sales volume and blended ASP dipped QoQ



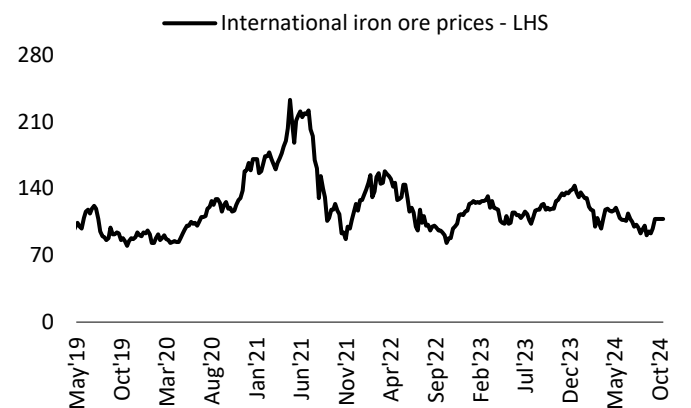
Source: MOFSL, Company

Exhibit 5: NMDC's production to hit ~60mt by FY27E



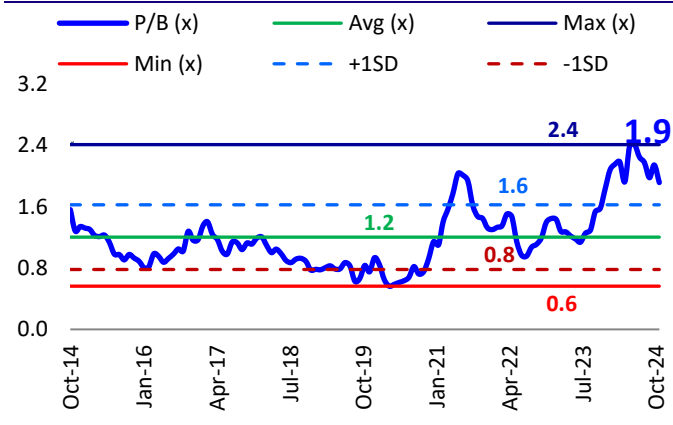
Source: MOFSL, Company

Exhibit 6: International prices remained close to USD100/t



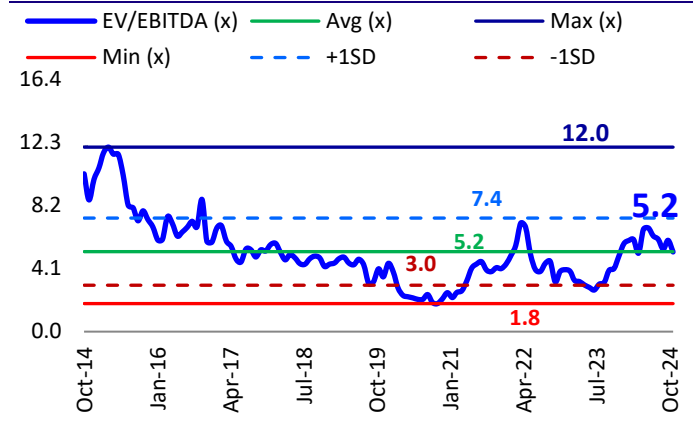
Source: MOFSL, Company Source: MOFSL, SteelMint

Exhibit 7: P/B slid slightly from the peak



Source: MOFSL, Company data

Exhibit 8: EV/EBITDA reversed to its 10-year average



Source: MOFSL, Company data

Exhibit 9: Key assumptions and summary of changes to our estimates

	UoM	FY25E			FY26E			FY27E		
		New	Old	% change	New	Old	% change	New	Old	% change
Iron ore Volumes - mt	mt	48.7	50.7	-3.9	54.7	54.7	0.0	59.2	59.2	0.0
Blended ASP (INR/t)	INR/t	5,287	5,078	4.1	4,999	4,999	0.0	5,168	5,168	0.0
Revenue	INRb	257	257	0.0	273	273	0.0	306	306	0.0
EBITDA/t - INR	INR/t	1,815	1,861	-2.5	1,922	1,921	0.0	2,027	2,027	0.0
EBITDA	INR b	88	94	-6.3	105	105	0.0	120	120	0.0
Adj. PAT	"	68	73	-6.2	79	79	0.0	89	89	0.0

Exhibit 10: Calculation of our TP

Y/E March	UoM	FY27E
Iron ore		
Volumes	mt	56.9
EBITDA	INR/t	1,974
EBITDA	INR m	1,12,379
Target EV/EBITDA(x)	x	6.0
Target EV	INR m	6,74,273
Add: Net Cash	INR m	1,56,796
Equity Value	INR m	8,31,069
Share o/s	m	2,931
Target price (INR/share)	INR/sh	280

Financials and valuation

Consolidated Income Statement

(INR b)

Y/E March	FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
Net sales	116	122	117	154	259	177	213	257	273	306
Change (%)	31.5	4.6	-3.7	31.4	68.4	-31.7	20.6	20.8	6.2	11.9
Total Expenses	53	50	55	66	133	116	140	169	168	186
EBITDA	63	71	62	88	126	61	73	88	105	120
% of Net Sales	54.4	58.8	53.2	57.2	48.6	34.3	34.2	34.3	38.4	39.2
EBITDA/t	1,752	2,207	1,974	2,669	3,138	1,584	1,640	1,815	1,922	2,027
Deprn. & Amortization	3	3	3	2	3	3	4	4	4	5
EBIT	61	69	59	86	123	57	69	85	101	115
Net Interest	0	0	0	0	0	1	1	1	1	1
Other income	5	6	5	3	7	8	14	14	14	13
PBT before EO	65	74	64	89	130	64	82	98	114	127
EO income	(5)	(2)	(11)	-	-	12	(3)	-	-	-
PBT after EO	60	72	54	89	130	76	80	98	114	127
Tax	22	26	17	26	36	21	24	29	34	38
Rate (%)	36.7	35.5	32.5	29.8	27.6	27.6	29.9	30.0	30.0	30.0
PAT before MI and Sh. of Asso.	38	46	36	63	94	55	56	68	79	89
MI	0	(0)	(0)	(0)	(0)	0	(0)	-	-	-
Sh. of Asso.	0	(0)	(0)	0	(0)	1	(0)	-	-	-
PAT after MI and Sh. of Asso.	38	46	36	63	94	56	56	68	79	89
Adjusted PAT	41	48	47	63	94	49	58	68	79	89
Change (%)	34.3	14.8	-2.0	34.6	49.3	-47.7	18.0	18.0	16.4	11.6

Consolidated Balance Sheet

(INR b)

Y/E March	FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
Share Capital	3	3	3	3	3	3	3	3	3	3
Reserves	240	256	272	295	177	223	254	299	354	418
Shareholders' funds	244	260	275	298	180	226	257	302	357	421
Loans	5	4	6	20	18	21	34	34	34	34
Long-term Provisions	7	8	8	9	12	14	16	16	16	16
Capital Employed	256	271	289	327	211	262	306	352	406	470
Gross Block	49	53	59	62	70	54	59	80	102	125
Less: Accum. Deprn.	23	26	28	31	34	22	25	29	33	38
Net Fixed Assets	27	27	30	32	37	32	34	51	69	87
Capital WIP	125	138	155	171	13	20	32	32	32	32
Investments	8	9	10	10	9	9	10	10	10	10
Curr. Assets	126	123	116	156	190	238	281	310	347	394
Inventories	6	7	7	9	21	27	28	33	35	40
Sundry Debtors	15	14	22	21	30	44	35	42	45	50
Cash and Bank	54	46	24	58	80	71	124	140	172	209
Loans and Advances	51	56	63	67	60	97	95	95	95	95
Curr. Liability & Prov.	30	27	22	41	38	38	50	51	52	52
Sundry Creditors	2	2	2	4	7	4	4	5	5	6
Other Liabilities & prov.	29	25	20	37	32	34	46	46	46	46
Net Current Assets	96	96	94	115	152	200	231	259	295	341
Application of Funds	256	271	289	327	211	262	306	352	406	470

Financials and valuation

Key Ratios

Y/E March	FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
Basic (INR)										
EPS	13.1	15.5	15.2	21.4	32.0	16.7	19.7	23.3	27.1	30.3
Cash EPS	13.9	16.5	16.2	22.2	33.0	17.9	20.9	24.6	28.5	32.0
BV/Share	77.0	84.8	89.9	101.5	61.5	77.2	87.6	103.2	121.8	143.5
DPS	5.3	5.5	5.3	7.8	14.7	6.6	7.3	7.8	8.5	8.5
Payout (%)	62.9	45.9	54.0	36.4	46.0	19.8	45.2	33.3	31.3	28.1
Valuation (x)										
P/E	17.8	15.0	15.3	10.9	7.3	14.0	11.8	10.0	8.6	7.7
Cash P/E	16.8	14.2	14.4	10.5	7.1	13.1	11.2	9.5	8.2	7.3
P/BV	3.0	2.8	2.6	2.3	3.8	3.0	2.7	2.3	1.9	1.6
EV/Sales	5.9	5.5	6.0	4.2	2.4	3.6	2.8	2.2	2.0	1.7
EV/EBITDA	10.9	9.4	11.2	7.3	4.9	10.5	8.1	6.5	5.2	4.2
Dividend Yield (%)	2.3	2.4	2.3	3.3	6.3	2.8	3.1	3.3	3.6	3.6
Return Ratios (%)										
EBITDA Margins	54.4	58.8	53.2	57.2	48.6	34.3	34.2	34.3	38.4	39.2
Net Profit Margins	35.7	39.2	39.9	40.9	36.2	27.8	27.1	26.5	29.1	29.0
RoE	17.7	19.2	17.5	22.4	39.3	24.1	23.9	24.4	24.1	22.8
RoCE	27.0	28.3	23.0	28.9	48.4	27.5	29.3	30.0	30.2	29.1
RoIC	100.2	94.2	66.6	90.6	124.8	42.3	46.0	54.4	55.6	55.7
Working Capital Ratios										
Fixed Asset Turnover (x)	2.3	2.3	2.0	2.5	3.7	3.3	3.6	3.2	2.7	2.4
Asset Turnover (x)	0.5	0.4	0.4	0.5	1.2	0.7	0.7	0.7	0.7	0.7
Debtor (Days)	46	43	69	51	42	90	60	60	60	60
Inventory (Days)	18	20	23	22	30	55	47	47	47	47
Creditors (Days)	5	6	7	9	9	9	7	7	7	7
Growth (%)										
Sales	31.5	4.6	-3.7	31.4	68.4	-31.7	20.6	20.8	6.2	11.9
EBITDA	40.6	13.0	-12.9	41.4	43.0	-51.9	20.5	21.2	18.9	14.2
PAT	34.3	14.8	-2.0	34.6	49.3	-47.7	18.0	18.0	16.4	11.6
Leverage Ratio (x)										
Current Ratio	4.2	4.6	5.3	3.8	5.0	6.3	5.6	6.0	6.7	7.5
Debt/Equity	-0.2	-0.2	-0.1	-0.1	-0.3	-0.2	-0.4	-0.4	-0.4	-0.4

Consolidated Cash Flow Statement

Y/E March	FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
(INR b)										
Pre-tax profit	60	72	54	89	130	76	80	98	114	127
Depreciation	3	3	3	2	3	3	4	4	4	5
(Inc)/Dec in Wkg. Cap.	-9	-8	-21	5	-23	-31	19	-12	-4	-9
Tax paid	-23	-26	-23	-25	-44	-21	-18	-29	-34	-38
Other operating activities	3	0	8	2	3	-3	-10	1	1	1
CF from Op. Activity	34	41	21	73	69	25	74	61	80	86
(Inc)/Dec in FA + CWIP	-21	-20	-24	-16	-12	-14	-18	-21	-23	-23
(Pur)/Sale of Investments	-2	7	17	1	-24	9	-52			
Others	4	5	4	-28	4	6	10			
CF from Inv. Activity	-19	-8	-3	-43	-32	0	-61	-21	-23	-23
Equity raised/(repaid)		-10		-17						
Interest paid	0	0	0	0	0	-1	-1	-1	-1	-1
Debt raised/(repaid)	5	-1	2	14	3	-14	12			
Dividend (incl. tax)	-24	-21	-20	-23	-43	-11	-25	-23	-25	-25
Other financing activities	4	0	0	0	-1	0	1			
CF from Fin. Activity	-16	-33	-18	-26	-41	-25	-13	-24	-26	-26
(Inc)/Dec in Cash	0	0	1	4	-3	0	0	16	32	37
Add: opening Balance	1	0	0	1	5	1	1	1	17	49
Closing cash balance	0	0	1	5	1	1	1	17	49	87
Bank Balance	54	46	23	53	79	70	123	123	123	123
Closing cash balance (incl bank balance)	54	46	24	58	80	71	124	140	172	209

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Explanation of Investment Rating	
Investment Rating	Expected return (over 12-month)
BUY	>=15%
SELL	< - 10%
NEUTRAL	< - 10 % to 15%
UNDER REVIEW	Rating may undergo a change
NOT RATED	We have forward looking estimates for the stock but we refrain from assigning recommendation

*In case the recommendation given by the Research Analyst is inconsistent with the investment rating legend for a continuous period of 30 days, the Research Analyst shall be within following 30 days take appropriate measures to make the recommendation consistent with the investment rating legend.

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