

BSE SENSEX
69,551

S&P CNX
20,906

CMP: INR183

TP: INR210 (+15%)

Buy

एनएमडीसी



Stock Info

Bloomberg	NMDC IN
Equity Shares (m)	2931
M.Cap.(INRb)/(USDb)	536.4 / 6.4
52-Week Range (INR)	189 / 104
1, 6, 12 Rel. Per (%)	-1/57/34
12M Avg Val (INR M)	1459
Free float (%)	39.2

Financials Snapshot (INR b)

Y/E MARCH	2024E	2025E	2026E
Sales	206	232	249
Adj EBITDA	68	80	87
Adj. PAT	56	64	69
EBITDA Margin (%)	33	35	35
Cons. Adj. EPS (INR)	19	22	24
EPS Gr. (%)	15	14	8
BV/Sh. (INR)	88	100	113

Ratios

Net D:E	-0.3	-0.3	-0.3
RoE (%)	23.3	23.3	22.2
RoCE (%)	29.4	29.4	28.2
Payout (%)	45.0	45.0	45.0

Valuations

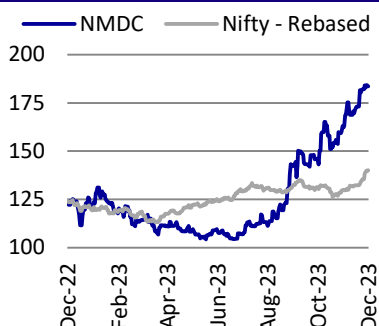
P/E (x)	9.5	8.4	7.8
P/BV (x)	2.1	1.8	1.6
EV/EBITDA(x)	6.8	5.7	5.0
Div. Yield (%)	4.7	5.4	5.8

Shareholding pattern (%)

As On	Sep-23	Jun-23	Sep-22
Promoter	60.8	60.8	60.8
DII	17.7	18.0	21.0
FII	8.3	7.0	6.0
Others	13.2	14.2	12.3

FII Includes depository receipts

Stock Performance (1-year)



Volume growth and capacity expansion to drive performance

- NMDC is on track to produce ~46mt of iron ore in FY24E (Apr-Nov production was up 17% YoY to 27.3mt). Over FY25, NMDC is likely to surpass a production of 50mt. The traction in production volumes would be driven by improved capacity and strong domestic demand.
- NMDC is undertaking multiple evacuation and capacity enhancement capex, which are likely to expand the production capacity to 67mt by FY26-27E from the current 51.8mt, and eventually to 100mt by FY28-30E.
- Demand is expected to remain robust going forward, as Tier-I steel manufacturers are expanding their capacities significantly. This expansion is projected to increase the industry-level crude steel capacity to 300mt by FY30-31. This would drive the iron ore demand to ~437mt and we believe NMDC is well placed to capitalize on the growth opportunities ahead.
- In line with the recent price hike observed in the international market, due to higher BoF utilization rates and lower inventory at Chinese ports, NMDC implemented its second price hike in 3QFY24 resulting in a total increase of INR450/t.
- We believe NMDC is very well placed, given the robust demand, capacity additions, and improvement in iron ore prices. NMDC trades at an EV/EBITDA of 5x and a P/B of 1.6x FY26E. We roll forward our estimates to FY26 and reiterate our BUY rating on the stock with a revised TP of INR210 (premised on 6x FY26E EV/EBITDA).
- Key risk: Over 110 iron ore blocks have been auctioned since FY16. Of these ~30 mines are operational. As the remaining captive mines become operational, it would increase the supply of iron ore, thus intensifying the competition for NMDC.

Evacuation and capacity expansion to drive volumes

- NMDC has earmarked INR20b as capex for FY24E and intends to spend a higher amount in FY25E (INR10b of capex incurred in 1HFY24).
- NMDC is currently improving the evacuation volumes from its Chhattisgarh mines. With the addition of Bailadila Deposit 13, the company is expected to add ~10mt of incremental volumes from Chhattisgarh.
- Currently, the evacuation via railways from the Bailadila sector is capped at 30mt. Hence, the doubling of the 150.5km Kirandul-Jagdarpur 'KK line' railway corridor will enhance the evacuation capacity to 40mt from 28mt. Over 100km of the line is already completed, and the remaining portion is expected to be finished by Mar'24. The construction of a slurry pipeline spanning over 70km from Bailadila to Nagarnar has been completed, and the order for the remaining capex has been placed.
- NMDC plans to undertake the abovementioned capex, which is expected to increase the total capacity to 100mt under its 'Vision 2025' strategic management plan.

Robust domestic demand at play

- Indian crude steel production for 10M-CY23 witnessed the highest growth among the top ten steel-producing nations. Crude steel production rose 8% YoY to ~112.5mt, surpassing that of China (up 1% YoY), Japan (down 3% YoY), the US (down 2% YoY) and the world (flat YoY).

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- India is poised to increase its capacity, as all major Tier-I ferrous manufacturers are undertaking significant capacity expansions to meet the continuously growing domestic demand. For example, JSPL, JSW, TATA, and AMNS are expected to reach capacities of 16mt, 38mt, 40mt, and 15mt, respectively.
- Steel demand growth is poised to surpass the GDP growth rate in the coming years and the demand for steel is expected to rise by ~8-12mt YoY over the next few years. This would lead to an annual increase of ~15-20mt in iron ore demand.

Valuations remain attractive; reiterate BUY

- NMDC is trading at 5x and 1.6x on FY26E EV/EBITDA and P/B, respectively.
- For the company, 2H is a stronger period with a pick-up in heavy capex infrastructure and construction activities.
- NMDC is on track to exceed 55mt of volumes in FY26. We roll forward our estimates to FY26 and reiterate our BUY rating on the stock with a revised TP of INR210 (premised on 6x FY26E EV/EBITDA).

Exhibit 1: Key operating metrics

Key metrics	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
Iron ore sales (mt)	35.6	36.1	32.4	31.5	33.0	40.1	38.2	46.5	53.0	57.0
Blended realization (INR/t)	2,479	3,220	3,756	3,713	4,663	6,455	4,623	4,461	4,409	4,370
EBITDA (INR/t)	1,262	1,752	2,207	1,974	2,669	3,138	1,584	1,470	1,509	1,533

Source: MOFSL, Company

- Prices in 3QFY24 (including royalty, DMF and NMET) have improved by ~INR450/t for lumps and fines, thereby offsetting the decline witnessed in the previous quarter.
- Prices are now above the May'23 levels, and the positive impact of the same is expected in 2HFY24.
- During Apr-Nov'23, NMDC's production grew 17% YoY to 27.3mt and sales jumped 24% YoY to 27.8mt. We believe that with additional EC coming on stream, the expansion of KK line and other ongoing capex, NMDC will surpass 45mt of sales volumes in FY24E.

Exhibit 2: 100mt volumes under NMDC 2.0 strategy

Mine	State	Area in Ha	Lease validity
Bailadila Deposit – 11 (A,B & C)	Chhattisgarh	874.92	10/09/2037
Bailadila Deposit – 14	Chhattisgarh	322.37	11/09/2035
Bailadila Deposit – 14NMZ	Chhattisgarh	506.74	06/12/2035
Bailadila Deposit – 5	Chhattisgarh	540.05	10/09/2035
Bailadila Deposit – 10	Chhattisgarh	309.24	10/09/2035
Donimalai	Karnataka	597.54	03/11/2038
Kumaraswamy	Karnataka	639.80	17/10/2042

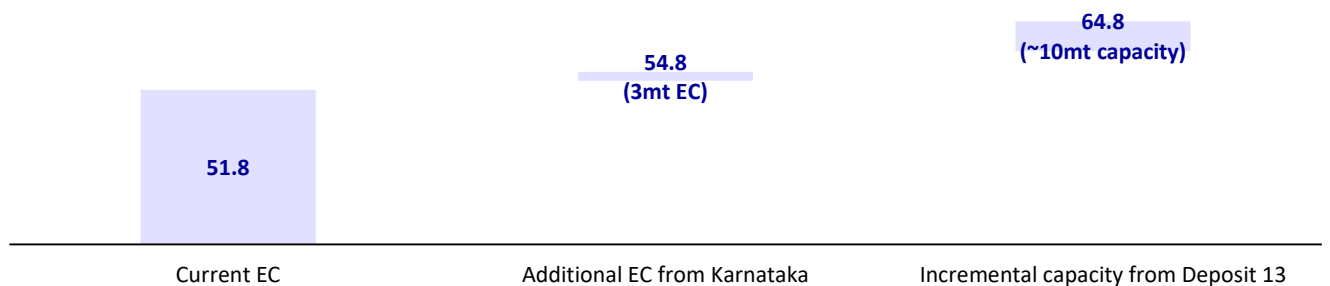
Source: MOFSL, Company

- NMDC is undertaking multiple capex, which will enhance its EC to 67mt by FY26-27E and 100mt by FY28-30E.
- The company is targeting a total production of 47-49mt in FY24E and has slightly increased its FY25E volume guidance to 51-53mt.
- NMDC is also awaiting final clearance for 3mt additional EC at Kumaraswamy, which will take the total EC from the current location to ~ 9mt (and over 54mt

across all mines). The 3mt additional EC at the Kumaraswamy mine is expected to add ~2.3mt to the production volumes.

- Over the next 2-3 years, as NMDC expands its evacuation volumes from Bailadila Deposit 13, it is likely to add ~10mt of incremental volumes from Chhattisgarh.

Exhibit 3: Incremental volume bridge (in mt)*



*Remaining capacity would be added by a combination of greenfield and brownfield expansions.

Source: MOFSL, Company

Exhibit 4: Prospective mining portfolio to support volume guidance

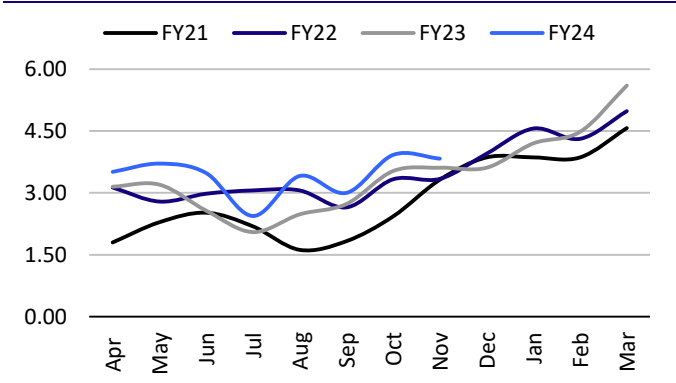
State	Minerals	Remarks
Jharkhand	Gold and associate minerals	❖ 24.80 Sq. Kms. area in Kuchai Tehsil is being pursued with state government for reservation
Jharkhand	Copper, Nickel, Cobalt and Molybdenum	❖ 16.70 Sq. Kms. area in Tambadungri is being pursued with state government for reservation
Jharkhand	Iron ore (JV)	❖ Detailed geological and topographical study completed at Sasangada, pursued with state government for reservation
Jharkhand	Iron ore (JV)	❖ Area at Ghatkuri falls under no mining zone, pursued with state government for reservation
Karnataka	Iron ore	❖ 5.17 Sq. Kms. iron ore reserve at Ramandurg has been reserved for NMDC, matter with MoS, Gol and state government
Karnataka	Lithium	❖ Submitted proposal for 24.95 Sq. Kms. area in Raichur is being pursued with state government for reservation
Odisha	Iron and manganese ore	❖ Malangtoli has iron ore R&R 340mt and matter is pursued with MoS, Gol and state government
Andhra Pradesh	Gold and associate minerals	❖ Applied for Peravali-Betapalli block, Rajagollapalli block and Konetirajupalem-Kundam block
Andhra Pradesh	Gold	❖ Preferred bidder of Chigargunta-Bisanatham block at 38.25% premium, expected to commence operations by Oct '25
Chhattisgarh	Iron ore (JV)	❖ 646.6 ha. area reserved at Bailadila deposit - 4, multiple environmental plans submitted to DFO-Dantewada for scrutiny
Chhattisgarh	Iron ore (JV)	❖ Bailadila - 13 performance security renewed for a period of five years on Nov'22
Chhattisgarh	Diamond	❖ First phase of exploration (SSS) completed in May'23

Source: MOFSL, Company

- As a part of its diversification strategy, NMDC also acquired two coal blocks at Tokisud North and Rohne in Jharkhand. However, NMDC is facing operationalization issues at Tokisud due to land acquisition and hence is going ahead with 8mt Rohane coal block, which is expected to be operational in 18-24 months.
- In addition, NMDC also has a presence across Australia, and one gold mine has already commenced operations. NMDC has the potential to expand its gold mine portfolio from seven to ten mines in the coming quarters.
- Management has also appointed Hancock Prospecting for lithium exploration and mining in Australia.

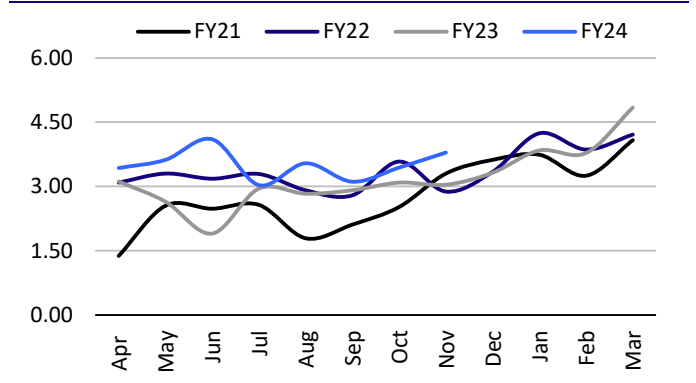
- By FY28E, NMDC expects non-iron ore minerals to contribute ~15% of the revenue, with 5-10% of the revenue being contributed from the international mine portfolio.

Exhibit 5: FY24 monthly production (mt) has remained at elevated levels vs. previous years



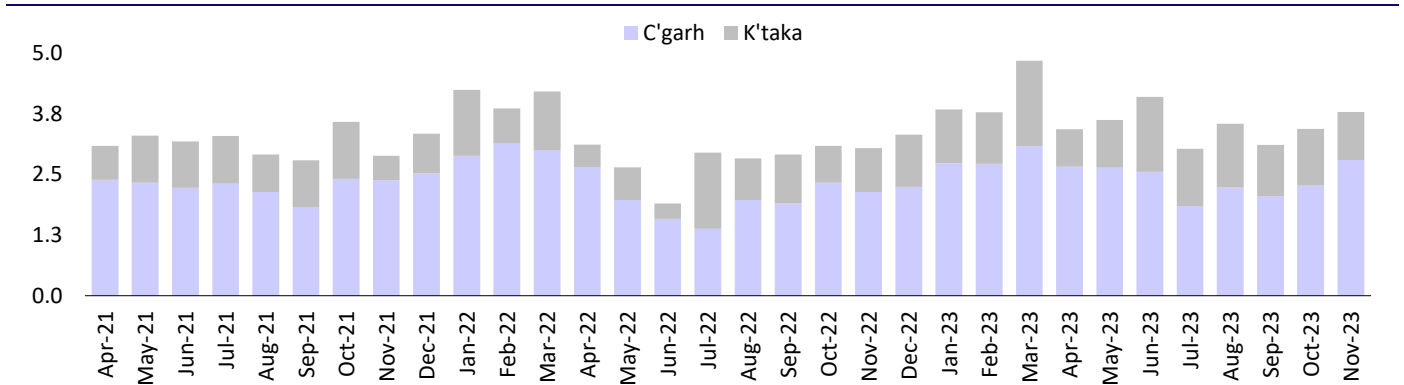
Source: MOFSL, Company

Exhibit 6: Monthly sales (mt)



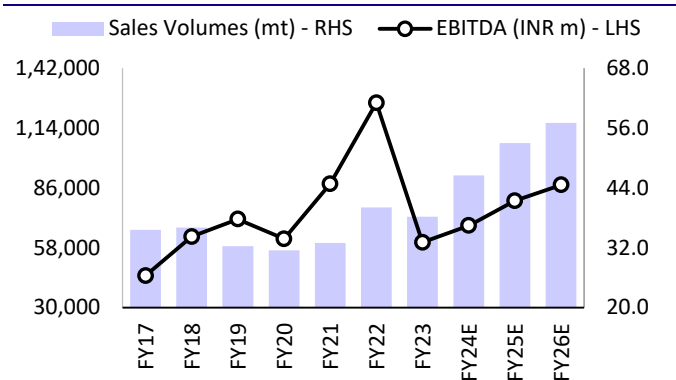
Source: MOFSL, Company

Exhibit 7: Sales volume mix between Chhattisgarh and Karnataka (in mt)



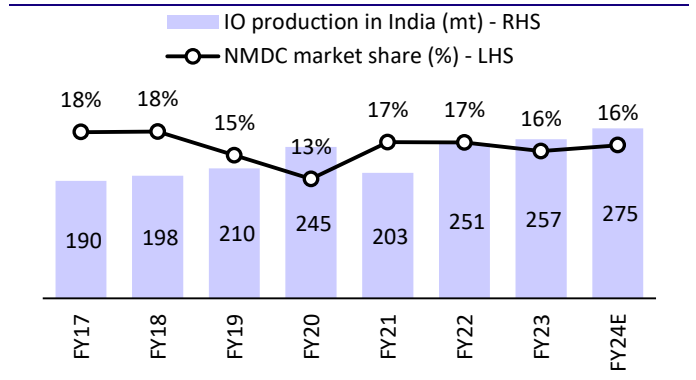
Source: MOFSL, Company

Exhibit 8: EBITDA to be supported by rising iron ore volumes



Source: MOFSL, Company

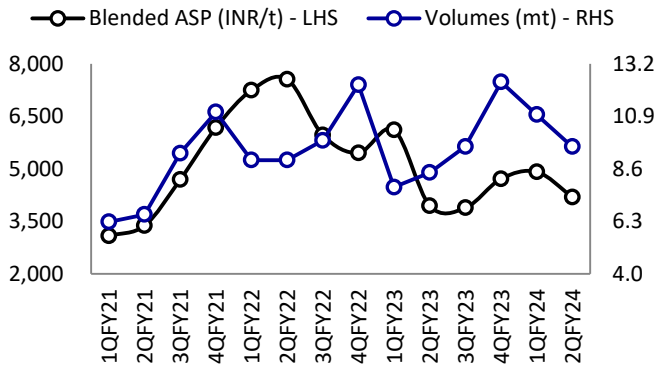
Exhibit 9: Market share (%) is expected to remain stable



Source: MOFSL, Company

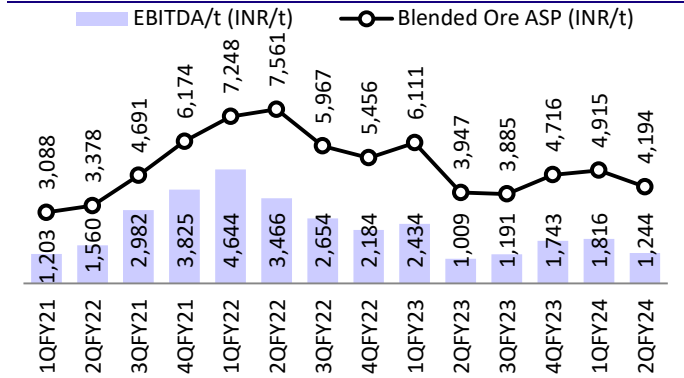
- Iron ore production in India is expected to grow at a healthy pace of ~7-11% to 275-285mt in FY24, driven by growth in the steel sector.
- As crude steel production increases to ~300mt by FY30-31E (under NSP 2017) the demand for iron ore is expected to reach ~437mt, and we believe NMDC is well placed to capitalize on the growth opportunities going forward.

Exhibit 10: Quarterly blended ASP (INR/t) and volumes (mt)



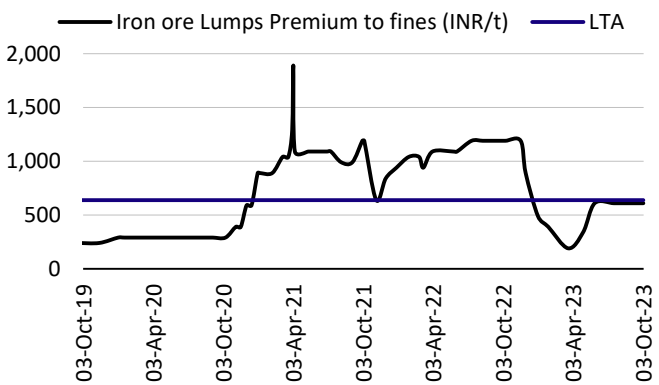
Source: MOFSL, Company

Exhibit 11: EBITDA/t (INR/t) and blended ASP (INR/t)



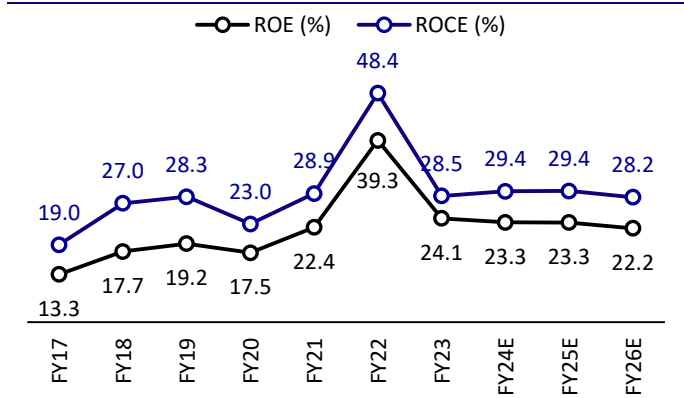
Source: MOFSL, Company

Exhibit 12: Premium for lumps increased and is now near its LTA



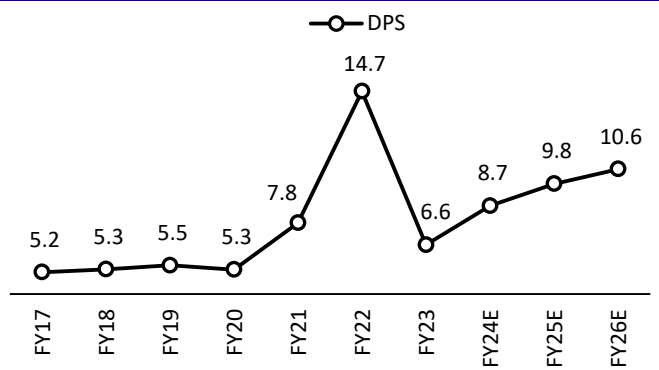
Source: MOFSL, Company

Exhibit 13: ROE (%) and ROCE (%)



Source: MOFSL, Company

Exhibit 14: Healthy dividend payout; over last seven years, NMDC has paid over INR50 per share as dividends



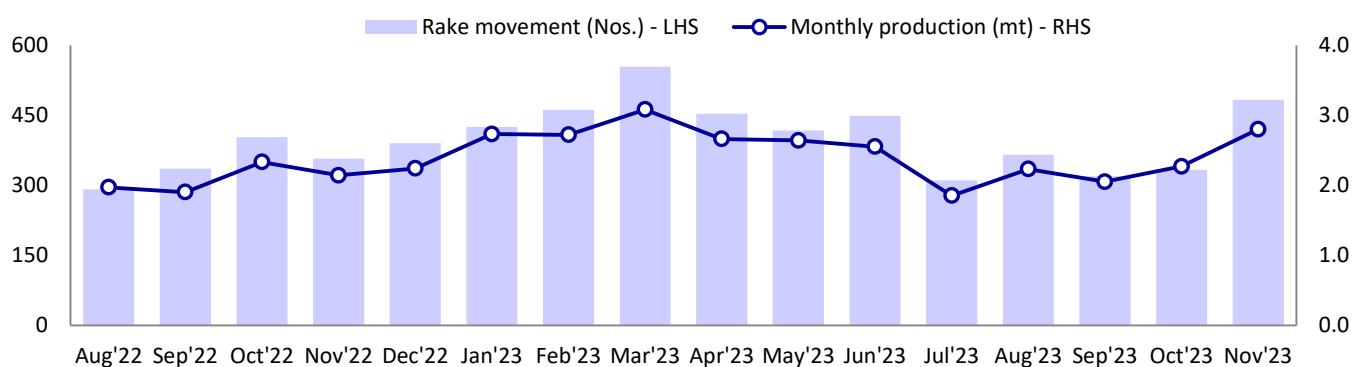
Source: MOFSL, Company

Exhibit 15: International iron ore prices (USD/t) have increased in 3QFY24 and is currently at ~USD130-135/t



Source: MOFSL, Company, SteelMint

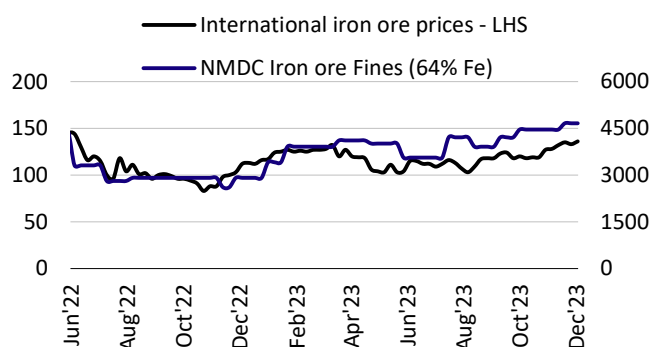
Exhibit 16: Chhattisgarh rake movement (nos.) and monthly production (mt)



Source: MOFSL, Company, SteelMint

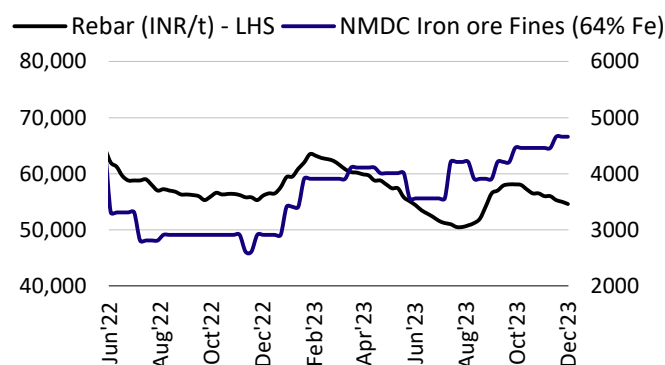
- RINL is the largest customer of iron ore from the Chhattisgarh sector, contributing around 34% of the total rakes.
- Dispatches to NMDC Steel have gradually increased from 7 rakes in Jul'23 to 53 rakes in Nov'23.
- JSTL (Dolvi) is the second largest customer for NMDC. The company dispatches an average of 123 rakes to Dolvi per month.
- Currently, the evacuation via railways from the Bailadila sector is capped at 30mt. Hence, the doubling of the 150.5km Kirandul-Jagdarpur 'KK line' railway corridor will enhance the evacuation capacity to 40mt from 28mt.
- Over 100km of the line is already completed, and the remaining portion is expected to be finished by Mar'24.

Exhibit 17: NMDC iron ore prices (INR/t) move in tandem with international prices (USD/t)



Source: MOFSL, Company, SteelMint

Exhibit 18: Domestic rebar prices (INR/t) and NMDC iron ore prices (INR/t)



Source: MOFSL, Company, SteelMint

Exhibit 19: TP calculation

Y/E March	UoM	FY26E
Iron ore		
Volumes	mt	57.0
EBITDA	INR/t	1,533
EBITDA	INR m	87,426
Target EV/EBITDA(x)	x	6.0
Target EV	INR m	5,20,186
Add: Net Cash	INR m	1,01,965
Equity Value	INR m	6,22,151
Share o/s	m	2,931
Target price (INR/share)	INR/sh	210

Source: MOFSL

Financials and Valuations - Consolidated

Income Statement

(INR b)

Y/E March	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
Net sales	88	116	122	117	154	259	177	206	232	249
Change (%)	37.1	31.5	4.6	-3.7	31.4	68.4	-31.7	16.4	12.7	7.6
Total Expenses	43	53	50	55	66	133	116	137	152	162
EBITDA	45	63	71	62	88	126	61	68	80	87
% of Net Sales	50.9	54.4	58.8	53.2	57.2	48.6	34.3	33.3	34.5	35.1
EBITDA/t	1,262	1,752	2,207	1,974	2,669	3,138	1,584	1,470	1,509	1,533
Deprn. & Amortization	2	3	3	3	2	3	3	3	5	6
EBIT	43	61	69	59	86	123	57	65	75	82
Net Interest	0	0	0	0	0	0	1	1	1	1
Other income	9	5	6	5	3	7	8	12	11	11
PBT before EO	52	65	74	64	89	130	64	76	86	92
EO income	(9)	(5)	(2)	(11)	-	-	12	-	-	-
PBT after EO	43	60	72	54	89	130	76	76	86	92
Tax	17	22	26	17	26	36	21	19	22	23
Rate (%)	39.7	36.7	35.5	32.5	29.8	27.6	27.6	25.5	25.2	25.2
PAT before MI and Sh. of Asso.	26	38	46	36	63	94	55	57	64	69
MI	0	0	(0)	(0)	(0)	(0)	0	0	0	0
Sh. of Asso.	(0)	0	(0)	(0)	0	(0)	1	(0)	0	0
PAT after MI and Sh. of Asso.	25	38	46	36	63	94	56	56	64	69
Adjusted PAT	31	41	48	47	63	94	49	56	64	69
Change (%)	-4.3	34.3	14.8	-2.0	34.6	49.3	-47.7	15.1	13.5	7.9

Balance Sheet

(INR b)

Y/E March	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
Share Capital	3	3	3	3	3	3	3	3	3	3
Reserves	222	240	256	272	295	177	223	254	290	328
Shareholders' funds	225	244	260	275	298	180	226	257	293	331
Loans	0	5	4	6	20	18	4	4	4	4
Long-term Provisions	6	7	8	8	9	12	14	14	14	14
Capital Employed	231	256	271	289	327	211	245	276	311	349
Gross Block	40	49	53	59	62	70	54	74	99	117
Less: Accum. Deprn.	20	23	26	28	31	34	22	25	30	36
Net Fixed Assets	20	27	27	30	32	37	32	49	69	81
Capital WIP	118	125	138	155	171	13	20	20	20	20
Investments	7	8	9	10	10	9	9	9	9	9
Curr. Assets	112	126	123	116	156	190	221	236	252	278
Inventories	5	6	7	7	9	21	27	31	35	38
Sundry Debtors	10	15	14	22	21	30	27	31	35	37
Cash and Bank	53	54	46	24	58	80	71	77	85	106
Loans and Advances	43	51	56	63	67	60	97	97	97	97
Curr. Liability & Prov.	26	30	27	22	41	38	38	39	39	40
Sundry Creditors	2	2	2	2	4	7	4	5	6	6
Other Liabilities & prov.	24	29	25	20	37	32	34	34	34	34
Net Current Assets	86	96	96	94	115	152	183	198	213	239
Application of Funds	231	256	271	289	327	211	245	276	311	349

Financials and Valuations - Consolidated

Key Ratios

Y/E March	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
Basic (INR)										
EPS	9.8	13.1	15.5	15.2	21.4	32.0	16.7	19.3	21.9	23.6
Cash EPS	10.4	13.9	16.5	16.2	22.2	33.0	17.9	20.4	23.5	25.6
BV/Share	71.2	77.0	84.8	89.9	101.5	61.5	77.2	87.8	99.8	112.8
DPS	5.2	5.3	5.5	5.3	7.8	14.7	6.6	8.7	9.8	10.6
Payout (%)	56.4	62.9	45.9	54.0	36.4	46.0	19.8	45.0	45.0	45.0
Valuation (x)										
P/E	18.8	14.0	11.8	12.0	8.5	5.7	10.9	9.5	8.4	7.8
Cash P/E	17.6	13.2	11.1	11.3	8.2	5.5	10.2	9.0	7.8	7.2
P/BV	2.6	2.4	2.2	2.0	1.8	3.0	2.4	2.1	1.8	1.6
EV/Sales	6.0	4.6	4.3	4.6	3.2	1.8	2.7	2.3	2.0	1.7
EV/EBITDA	11.7	8.4	7.3	8.7	5.7	3.8	7.8	6.8	5.7	5.0
Dividend Yield (%)	2.8	2.9	3.0	2.9	4.2	8.1	3.6	4.7	5.4	5.8
Return Ratios (%)										
EBITDA Margins	50.9	54.4	58.8	53.2	57.2	48.6	34.3	33.3	34.5	35.1
Net Profit Margins	35.0	35.7	39.2	39.9	40.9	36.2	27.8	27.4	27.7	27.7
RoE	13.3	17.7	19.2	17.5	22.4	39.3	24.1	23.3	23.3	22.2
RoCE	19.0	27.0	28.3	23.0	28.9	48.4	28.5	29.4	29.4	28.2
RoIC	72.7	100.2	94.2	66.6	90.6	124.8	45.2	41.4	41.2	39.8
Working Capital Ratios										
Fixed Asset Turnover (x)	2.2	2.3	2.3	2.0	2.5	3.7	3.3	2.8	2.3	2.1
Asset Turnover (x)	0.4	0.5	0.4	0.4	0.5	1.2	0.7	0.7	0.7	0.7
Debtor (Days)	43	46	43	69	51	42	55	55	55	55
Inventory (Days)	22	18	20	23	22	30	55	55	55	55
Creditors (Days)	8	5	6	7	9	9	9	9	9	9
Leverage Ratio (x)										
Current Ratio	4.4	4.2	4.6	5.3	3.8	5.0	5.8	6.1	6.4	7.0
Debt/Equity	-0.2	-0.2	-0.2	-0.1	-0.1	-0.3	-0.3	-0.3	-0.3	-0.3

Cash Flow Statement

(INR b)

Y/E March	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
Pre-tax profit	43	60	72	54	89	130	76	76	86	92
Depreciation	2	3	3	3	2	3	3	3	5	6
(Inc)/Dec in Wkg. Cap.	13	-9	-8	-21	5	-23	-31	-8	-7	-5
Tax paid	-19	-23	-26	-23	-25	-44	-21	-19	-22	-23
Other operating activities	-18	3	0	8	2	3	-3	1	1	1
CF from Op. Activity	21	34	41	21	73	69	25	52	62	71
(Inc)/Dec in FA + CWIP	-24	-21	-20	-24	-16	-12	-14	-20	-25	-18
(Pur)/Sale of Investments	0	-2	7	17	1	-24	9	0	0	0
Others	76	4	5	4	-28	4	6	0	0	0
CF from Inv. Activity	52	-19	-8	-3	-43	-32	0	-20	-25	-18
Equity raised/(repaid)	-76		-10		-17					
Interest paid	0	0	0	0	0	0	-1	-1	-1	-1
Debt raised/(repaid)	-15	5	-1	2	14	3	-14	0	0	0
Dividend (incl. tax)	-15	-24	-21	-20	-23	-43	-11	-25	-29	-31
Other financing activities	33	4	0	0	0	-1	0	0	0	0
CF from Fin. Activity	-72	-16	-33	-18	-26	-41	-25	-26	-29	-32
(Inc)/Dec in Cash	0	0	0	1	4	-3	0	6	8	21
Add: opening Balance	0	1	0	0	1	5	1	1	7	15
Closing cash balance	1	0	0	1	5	1	1	7	15	36
Bank Balance	52	54	46	23	53	79	70	70	70	70
Closing cash balance (incl bank balance)	53	54	46	24	58	80	71	77	85	106

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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
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