

February 15, 2024

Q3FY24 Result Update

Change in Estimates | Target | Reco

Change in Estimates

	Current		Previous	
	FY25E	FY26E	FY25E	FY26E
Rating	BUY		BUY	
Target Price	261		261	
Sales (Rs. bn)	251	281	243	264
% Chng.	3.7	6.6		
EBITDA (Rs. bn)	88	105	88	105
% Chng.	(0.1)	0.1		
EPS (Rs.)	22.5	27.1	22.5	27.1
% Chng.	0.1	0.2		

Key Financials - Standalone

Y/e Mar	FY23	FY24E	FY25E	FY26E
Sales (Rs. bn)	177	221	251	281
EBITDA (Rs. bn)	61	77	88	105
Margin (%)	34.3	35.1	35.0	37.5
PAT (Rs. bn)	46	59	66	79
EPS (Rs.)	15.8	20.1	22.5	27.1
Gr. (%)	(50.6)	26.9	12.0	20.5
DPS (Rs.)	-	-	-	-
Yield (%)	-	-	-	-
RoE (%)	22.8	24.2	23.7	24.9
RoCE (%)	29.9	32.1	32.7	34.6
EV/Sales (x)	3.8	2.9	2.5	2.1
EV/EBITDA (x)	11.0	8.3	7.1	5.6
PE (x)	15.6	12.3	11.0	9.1
P/BV (x)	3.2	2.8	2.4	2.1

Key Data

NMDC.BO | NMDC IN

52-W High / Low	Rs.253 / Rs.104
Sensex / Nifty	72,050 / 21,911
Market Cap	Rs.724bn/ \$ 8,715m
Shares Outstanding	2,931m
3M Avg. Daily Value	Rs.3483.7m

Shareholding Pattern (%)

Promoter's	60.79
Foreign	9.91
Domestic Institution	17.34
Public & Others	11.96
Promoter Pledge (Rs bn)	-

Stock Performance (%)

	1M	6M	12M
Absolute	17.9	108.0	108.8
Relative	20.0	88.8	77.6

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Strong volume led performance

Quick Pointers:

- Strong 19% volume growth in 3Q; mgmt. revises FY24 volumes to ~47mt due to delay in Kumaraswamy approvals.
- Prices expected to remain stable going forward.

NMDC Limited (NMDC) 3QFY24 EBITDA grew strong 69% QoQ to Rs 20.1bn (up 76% YoY) on higher than expected increase in average realization as company had taken price hikes during the quarter. As Kumaraswamy EC extension approvals are delayed, NMDC expects ~47/51mt in FY24/25E; in line with our earlier volume assumptions. We maintain our 46.2/50.5mt volume estimates. Benefit of price hikes undertaken in 3Q should flow in coming quarters till monsoon, which can affect pricing due to softer demand.

NMDC is well placed to capitalize on strong volume growth in domestic steel markets over next two years given a) its increased focus on mining business expected to deliver strong 12% CAGR over FY23-26E to ~54mt iron ore volumes; b) doubling of railway line for evacuation and higher availability of rakes to support iron ore volume growth; c) other high margin minerals to constitute ~10-15% of revenue in next 5 years. We expect Revenue/EBITDA/PAT growth of 17%/20%/20% over FY23-26E. At CMP, stock is trading at 7.1x/5.6x EV of FY25E/FY26E EBITDA. Maintain 'Buy' rating with TP of Rs261 valuing at 6x EV of Mar'26E EBITDA.

Strong volume led growth aided by price hikes: Revenue grew 35% QoQ to Rs 54.1bn (up 45% YoY; PLe 52.4bn) on robust volumes and uptick in prices. Volumes grew strong 19% QoQ to 11.4mt while average realization improved 13% QoQ to Rs 4,679/t (+22% YoY; PLe Rs 4,589/t). NMDC's 3QFY24 EBITDA increased 69% QoQ to Rs 20.1bn (up 76% YoY; better than PLe Rs 16bn) as mgmt. contained other operating expenses and freight costs during 3Q.

Strong operating leverage gave boost to EBITDA/t: EBITDA/t increased 42% QoQ to Rs1,762 (up 48% YoY) as other operating expenses and stores & spares cost were lower sequentially. Royalty & cess per ton increased 30% QoQ as both prices and production was higher during 3Q. PAT grew 43% QoQ to Rs14.7bn (+63% YoY) which includes exceptional item of Rs2.5bn on account of penal charges for compensatory afforestation of 96Ha forest land outside mine lease of Donimalai mine.

Concall highlights: (1) Final clearance for Kumaraswamy mine for 2.28mtpa expansion is delayed and can deliver incremental 1mt in FY24 if mgmt. receives approval in next few days. **(2)** FY24 Capex guidance is Rs 17.50-18bn of which NMDC has spent Rs15bn till Jan'24. FY25 capex is expected to be Rs ~22bn. **(3)** FY25 production range can be in the range of 50-51mt and then there will be capacity constraint for two years for any significant addition. **(4)** NMDC has applied for EC extension of 5mtpa at Deposits 14 and 11C. For few of the deposits, NMDC has applied for 10% EC extensions which mgmt. expects to receive without a public

hearing and with ~6-month timeframe. Other large scale capacity additions planned are for Kirandul and Bachel complex for which EC extension is applied to reach 30mtpa each. **(5)** Screening plant III with 12mtpa capacity is delayed. Slurry pipeline project is progressing well, except for hurdles faced in two villages. The pellet plant is being redesigned to a 6mtpa capacity from 2mtpa earlier. **(6)** NMDC is doing PFS along with Hancock at their magnetite and lithium deposits. **(7)** NMDC has requested the government to grant approval for land acquisition through Coal Bearing Act (CBA) route for coal blocks. Rohne is expected to be commissioned in 18-24 months. **(8)** Top three customers took 70-72% of NMDC's volumes in 9M viz. JSTL (38%), AM-NS (18%) and RINL (15%) **(9)** Cash balance at the end of 3Q was Rs 115bn; CWIP stands at Rs29bn. **(10)** The loss at Panna diamond mine is Rs 500mn for 9MFY24. **(11)** NMDC Steel is running at ~45% capacity utilization.

Exhibit 1: Consolidated 3QFY24 Financial Performance (Rs bn)

Y/e March	Q3FY24	Q3FY23	YoY gr. (%)	Q2FY24	QoQ gr. (%)	9MFY24	9MFY23	YoY gr. (%)
Net Sales	54.1	37.2	45.4	40.1	34.8	148.2	118.2	25.4
Raw Material	0.5	(1.2)	NA	4.0	(86.7)	6.7	3.7	80.8
<i>% of Net Sales</i>	<i>1.0</i>	<i>-3.3</i>		<i>10.1</i>		<i>4.5</i>	<i>3.1</i>	
Staff Costs	4.0	3.5	15.2	3.9	1.4	11.6	10.7	8.0
<i>% of Net Sales</i>	<i>7.4</i>	<i>9.3</i>		<i>9.8</i>		<i>7.8</i>	<i>9.1</i>	
Royalty & cess	23.2	18.7	24.2	15.1	54.2	61.5	51.0	20.5
<i>% of Net Sales</i>	<i>42.9</i>	<i>50.2</i>		<i>37.5</i>		<i>41.5</i>	<i>43.2</i>	
Freight & Selling Expenses	0.9	0.8	12.9	0.6	37.1	2.4	1.7	42.7
<i>% of Net Sales</i>	<i>1.6</i>	<i>2.1</i>		<i>1.6</i>		<i>1.6</i>	<i>1.4</i>	
Other Expenses	5.4	4.1	31.9	4.6	18.5	14.2	12.2	16.9
<i>% of Net Sales</i>	<i>10.0</i>	<i>11.1</i>		<i>11.4</i>		<i>9.6</i>	<i>10.3</i>	
Total Expenditure	34.0	25.8	31.9	28.2	20.5	96.3	79.2	21.5
EBITDA	20.1	11.4	76.0	11.9	68.6	51.9	38.9	33.4
<i>Margin (%)</i>	<i>37.1</i>	<i>30.7</i>		<i>29.7</i>		<i>35.0</i>	<i>32.9</i>	
Depreciaton	0.8	0.8	(2.0)	0.9	(7.7)	2.4	2.4	(1.1)
Other income	3.4	2.0	64	3.2	4.8	9.5	7.8	22.5
EBIT	22.6	12.6	79.3	14.2	59.0	59.0	44.3	33.4
Interest	0.3	0.3	7.1	0.2	72.3	0.6	0.6	(10.4)
PBT	22.3	12.3	81.0	14.0	58.8	58.5	43.6	34.0
Extraordinary income/(expense)	(2.5)	-	NA	-	NA	(2.5)	-	NA
PBT (After EO)	19.8	12.3	60.5	14.0	40.8	55.9	43.6	28.2
Tax	5.1	3.3	54.8	3.8	33.9	14.4	11.0	30.3
<i>% PBT</i>	<i>25.7</i>	<i>26.6</i>		<i>27.0</i>		<i>25.7</i>	<i>25.3</i>	
Reported PAT	14.7	9.0	62.6	10.3	43.4	41.6	32.6	28
Profit from associates	0.1	0.1	NA	0.0	NA	0.1	0.7	NA
Minority interest	(0.0)	0.0	NA	(0.0)	NA	(0.0)	0.0	NA
Profit after associates and MI	14.8	9.1	62.7	10.3	44.6	41.6	33.3	25
Adjusted PAT	16.5	8.9	84.6	10.2	60.9	43.4	31.9	36

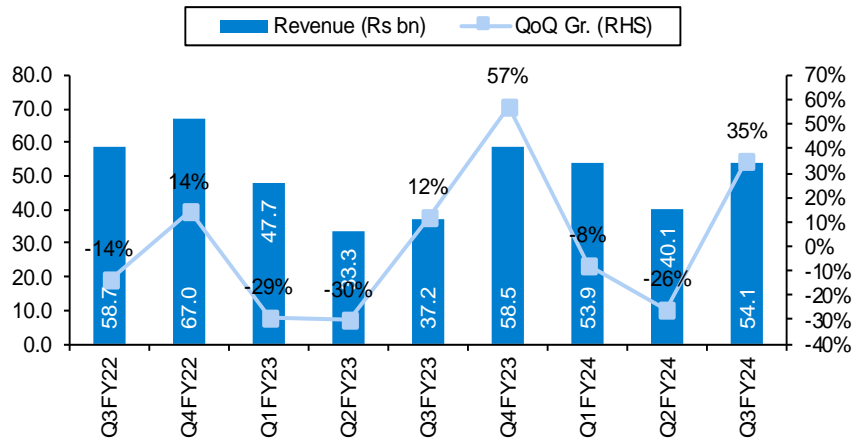
Source: Company, PL

Exhibit 2: Operating matrix

Particulars	Q3FY24	Q3FY23	YoY gr. (%)	Q2FY24	QoQ gr. (%)	9MFY24	9MFY23	YoY gr. (%)
Sales volume (mt)	11.39	9.58	18.9	9.57	19.0	31.9	25.8	23.7
Realization/t (Rs)	4,679	3,826	22.3	4,145	12.9	4,578	4,519	1.3
EBITDA/t (Rs)	1,762	1,191	48.0	1,244	41.6	1,625	1,508	7.8

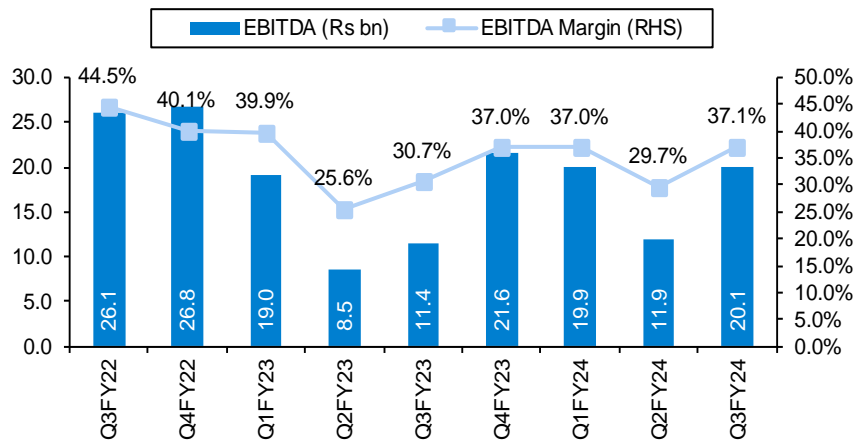
Source: Company, PL

Exhibit 3: Revenue increased 35% QoQ led by volume and realization growth



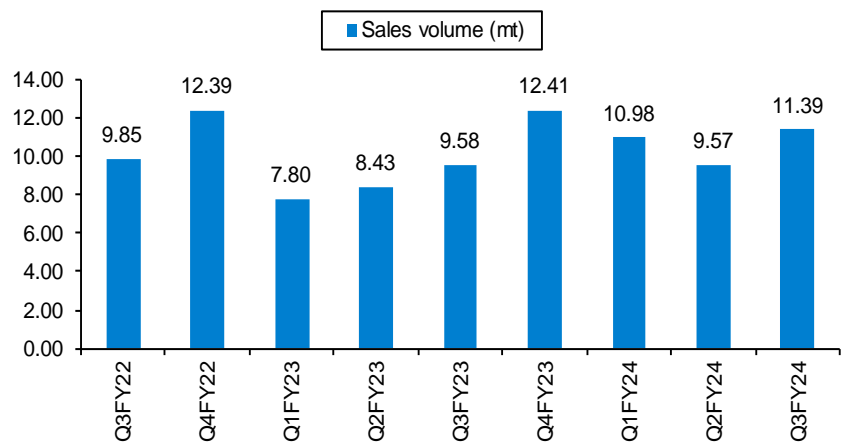
Source: Company, PL

Exhibit 4: EBITDA increased 69% QoQ on contained costs



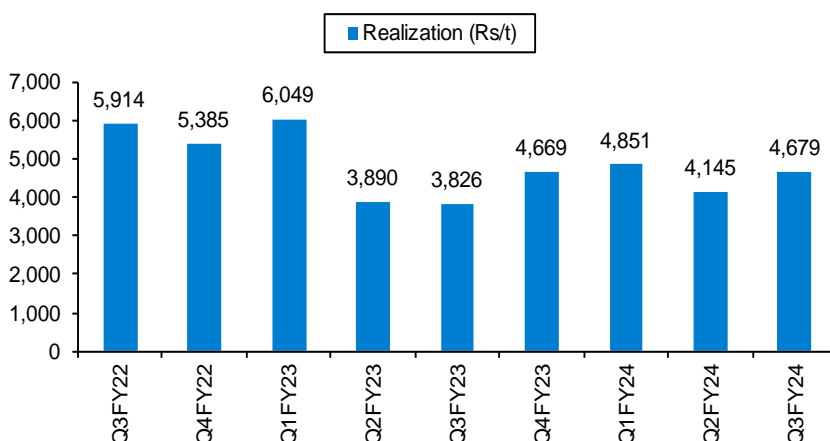
Source: Company, PL

Exhibit 5: Sales volume increased strong 19% QoQ



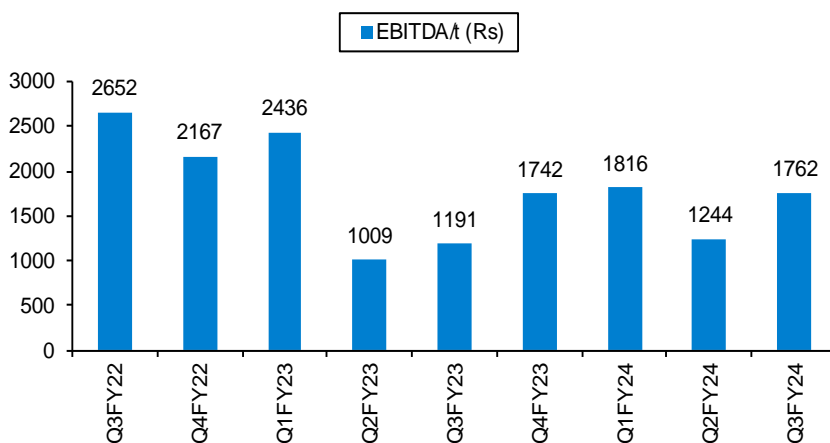
Source: Company, PL

Exhibit 6: 13% QoQ realization growth due to price hikes undertaken



Source: Company, PL

Exhibit 7: Operating leverage led to EBITDA/t increasing 42% QoQ



Source: Company, PL

Financials

Income Statement (Rs bn)

Y/e Mar	FY23	FY24E	FY25E	FY26E
Net Revenues	177	221	251	281
YoY gr. (%)	(31.7)	24.9	13.9	11.9
Cost of Goods Sold	(5)	3	-	-
Gross Profit	182	218	251	281
Margin (%)	102.8	98.7	100.0	100.0
Employee Cost	15	17	18	19
Other Expenses	106	124	146	157
EBITDA	61	77	88	105
YoY gr. (%)	(51.9)	28.0	13.4	20.0
Margin (%)	34.3	35.1	35.0	37.5
Depreciation and Amortization	3	3	4	5
EBIT	57	74	84	101
Margin (%)	32.4	33.6	33.3	35.8
Net Interest	1	1	1	1
Other Income	8	7	8	10
Profit Before Tax	76	78	91	110
Margin (%)	43.3	35.2	36.2	39.0
Total Tax	21	21	25	30
Effective tax rate (%)	27.6	26.5	27.5	27.5
Profit after tax	55	57	66	79
Minority interest	-	-	-	-
Share Profit from Associate	-	-	-	-
Adjusted PAT	46	59	66	79
YoY gr. (%)	(50.6)	26.9	12.0	20.5
Margin (%)	26.3	26.7	26.2	28.3
Extra Ord. Income / (Exp)	9	(2)	-	-
Reported PAT	55	57	66	79
YoY gr. (%)	(41.1)	3.0	15.6	20.5
Margin (%)	31.3	25.8	26.2	28.3
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	55	57	66	79
Equity Shares O/s (bn)	3	3	3	3
EPS (Rs)	15.8	20.1	22.5	27.1

Source: Company Data, PL Research

Balance Sheet Abstract (Rs bn)

Y/e Mar	FY23	FY24E	FY25E	FY26E
Non-Current Assets				
Gross Block	55	70	85	100
Tangibles	55	70	85	100
Intangibles	-	-	-	-
Acc: Dep / Amortization	23	26	30	35
Tangibles	23	26	30	35
Intangibles	-	-	-	-
Net fixed assets	32	44	55	65
Tangibles	32	44	55	65
Intangibles	-	-	-	-
Capital Work In Progress	20	25	33	38
Goodwill	-	-	-	-
Non-Current Investments	9	9	9	9
Net Deferred tax assets	3	3	3	3
Other Non-Current Assets	60	60	60	60
Current Assets				
Investments	-	-	-	-
Inventories	27	27	24	23
Trade receivables	27	33	31	31
Cash & Bank Balance	71	84	104	133
Other Current Assets	-	-	-	-
Total Assets	280	317	350	393
Equity				
Equity Share Capital	3	3	3	3
Other Equity	223	257	294	338
Total Networkth	226	260	297	341
Non-Current Liabilities				
Long Term borrowings	14	4	-	-
Provisions	-	-	-	-
Other non current liabilities	-	-	-	-
Current Liabilities				
ST Debt / Current of LT Debt	-	-	-	-
Trade payables	41	54	55	54
Other current liabilities	1	1	1	1
Total Equity & Liabilities	280	317	350	393

Source: Company Data, PL Research

Cash Flow (Rs bn)

Y/e Mar	FY23	FY24E	FY25E	FY26E
PBT	76	78	91	110
Add. Depreciation	3	3	4	5
Add. Interest	1	1	1	1
Less Financial Other Income	8	7	8	10
Add. Other	(4)	(7)	(8)	(10)
Op. profit before WC changes	77	75	88	105
Net Changes-WC	(31)	6	6	-
Direct tax	(21)	(21)	(25)	(30)
Net cash from Op. activities	25	61	69	75
Capital expenditures	(14)	(20)	(23)	(20)
Interest / Dividend Income	6	7	8	10
Others	9	-	-	-
Net Cash from Inv. activities	0	(13)	(15)	(10)
Issue of share cap. / premium	-	-	-	-
Debt changes	(14)	(10)	(4)	-
Dividend paid	(11)	(23)	(29)	(35)
Interest paid	(1)	(1)	(1)	(1)
Others	0	-	-	-
Net cash from Fin. activities	(25)	(34)	(34)	(36)
Net change in cash	0	13	20	29
Free Cash Flow	11	41	46	55

Source: Company Data, PL Research

Quarterly Financials (Rs bn)

Y/e Mar	Q4FY23	Q1FY24	Q2FY24	Q3FY24
Net Revenue	59	54	40	54
YoY gr. (%)	(12.7)	13.2	20.6	45.4
Raw Material Expenses	(2)	2	4	1
Gross Profit	61	52	36	54
Margin (%)	104.1	96.1	89.9	99.0
EBITDA	22	20	12	20
YoY gr. (%)	(19.4)	4.9	39.9	76.0
Margin (%)	37.0	37.0	29.7	37.1
Depreciation / Depletion	1	1	1	1
EBIT	21	19	11	19
Margin (%)	35.4	35.7	27.4	35.6
Net Interest	-	-	-	-
Other Income	-	3	3	3
Profit before Tax	33	22	14	20
Margin (%)	56.2	41.0	35.0	36.6
Total Tax	10	6	4	5
Effective tax rate (%)	30.7	24.9	27.0	25.7
Profit after Tax	23	17	10	15
Minority interest	-	-	-	-
Share Profit from Associates	-	-	-	-
Adjusted PAT	14	17	10	17
YoY gr. (%)	(21.8)	13.0	15.7	83.3
Margin (%)	24.3	30.8	25.5	30.6
Extra Ord. Income / (Exp)	9	-	-	(2)
Reported PAT	23	17	10	15
YoY gr. (%)	25.4	13.0	15.7	62.6
Margin (%)	38.9	30.8	25.5	27.2
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	23	17	10	15
Avg. Shares O/s (bn)	4	4	4	4
EPS (Rs)	3.6	4.2	2.6	4.2

Source: Company Data, PL Research

Key Financial Metrics

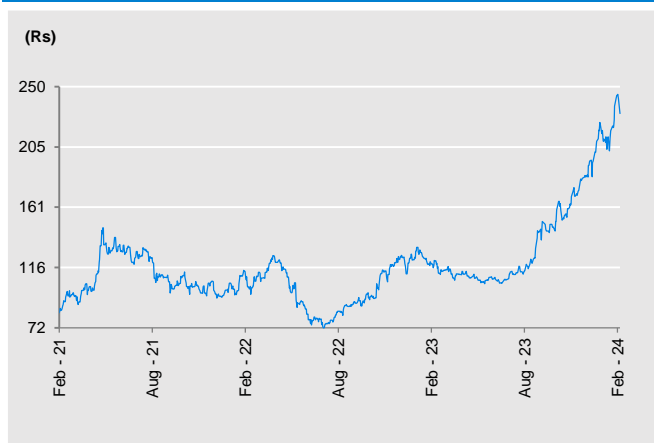
Y/e Mar	FY23	FY24E	FY25E	FY26E
Per Share(Rs)				
EPS	15.8	20.1	22.5	27.1
CEPS	17.0	21.2	23.9	28.8
BVPS	77.2	88.7	101.2	116.3
FCF	3.6	13.9	15.7	18.9
DPS	-	-	-	-
Return Ratio(%)				
RoCE	29.9	32.1	32.7	34.6
ROIC	28.4	32.4	34.4	39.3
RoE	22.8	24.2	23.7	24.9
Balance Sheet				
Net Debt : Equity (x)	(0.3)	(0.3)	(0.4)	(0.4)
Net Working Capital (Days)	26	10	-	-
Valuation(x)				
PER	15.6	12.3	11.0	9.1
P/B	3.2	2.8	2.4	2.1
P/CEPS	14.5	11.6	10.3	8.6
EV/EBITDA	11.0	8.3	7.1	5.6
EV/Sales	3.8	2.9	2.5	2.1
Dividend Yield (%)	-	-	-	-

Source: Company Data, PL Research

Key Operating Metrics

Y/e Mar	FY23	FY24E	FY25E	FY26E
Sales volume (mt)	38	46	51	54
Realisation/t (Rs)	4,622	4,721	4,974	5,174
EBITDA/ton (Rs)	1,584	1,677	1,739	1,940

Source: Company Data, PL Research

Price Chart
Recommendation History


No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	05-Jan-24	BUY	261	224
2	18-Nov-23	Accumulate	176	169
3	07-Oct-23	Accumulate	147	146
4	28-Aug-23	Accumulate	136	119

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Hindalco Industries	BUY	597	510
2	Jindal Stainless	Accumulate	660	581
3	Jindal Steel & Power	BUY	842	755
4	JSW Steel	BUY	958	816
5	National Aluminium Co.	Accumulate	101	131
6	NMDC	BUY	261	224
7	Steel Authority of India	Hold	108	123
8	Tata Steel	Accumulate	137	134

PL's Recommendation Nomenclature (Absolute Performance)

Buy	: > 15%
Accumulate	: 5% to 15%
Hold	: +5% to -5%
Reduce	: -5% to -15%
Sell	: < -15%
Not Rated (NR)	: No specific call on the stock
Under Review (UR)	: Rating likely to change shortly

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