

BSE SENSEX  
73,651

S&P CNX  
22,327

एनएमडीसी



NMDC

### Stock Info

	NMDC IN
Bloomberg Equity Shares (m)	2931
M.Cap.(INRb)/(USD\$b)	591.2 / 7.1
52-Week Range (INR)	253 / 104
1, 6, 12 Rel. Per (%)	-11/28/57
12M Avg Val (INR M)	2521
Free float (%)	39.2

### Financials Snapshot (INR b)

Y/E MARCH	2024E	2025E	2026E
Sales	214	243	267
Adj EBITDA	74	90	105
Adj. PAT	62	73	83
EBITDA Margin (%)	35	37	39
Cons. Adj. EPS (INR)	21	25	28
EPS Gr. (%)	26	18	14
BV/Sh. (INR)	90	104	121

### Ratios

Net D:E	-0.3	-0.3	-0.3
RoE (%)	25.3	25.7	25.1
RoCE (%)	31.9	32.4	31.9
Payout (%)	40.0	40.0	40.0

### Valuations

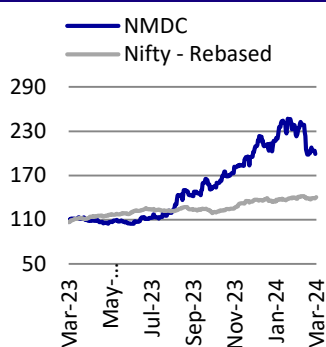
P/E (x)	9.5	8.1	7.1
P/BV (x)	2.3	1.9	1.7
EV/EBITDA(x)	6.9	5.5	4.5
Div. Yield (%)	4.1	4.9	5.6

### Shareholding pattern (%)

As On	Dec-23	Sep-23	Dec-22
Promoter	60.8	60.8	60.8
DII	17.3	17.7	20.3
FII	9.9	8.3	6.6
Others	12.0	14.2	12.4

FII Includes depository receipts

### Stock Performance (1-year)



**CMP: INR202**

**TP: INR260 (+29%)**

**BUY**

## Volume growth and capacity enhancement to drive next leg of performance

### NMDC on track to surpass 50mt of production by FY25E

- The domestic demand for iron ore is expected to move in tandem with infrastructure and construction growth. NMDC, being the largest domestic iron ore miner, is expected to produce ~45mt of iron ore in FY24 (production for 11MFY24 has crossed 40.2mt), surpassing production of over 40mt for the third year in a row. It is well on track to exceed 50mt of production in FY25E and 55mt in FY26E.
- NMDC has planned capex for several evacuation and capacity enhancement projects, which should improve the product mix and augment its production capacity to ~100mt by FY29-30E.
- The domestic steel sector is well placed compared to its global peers and the domestic crude steel capacity is expected to reach ~175mt in FY24 with ~82% capacity utilization. This would translate to ~282mt of iron ore requirement in FY24E, with NMDC commanding a ~16% market share.
- Similarly, as crude steel capacity inches up to 300mt by FY30-31, total demand for iron ore would be ~435-445mt. We believe NMDC, with a dominant presence in the domestic market, is well placed to capitalize on the growth opportunities ahead.
- In line with the recent correction in international prices, NMDC has reduced prices by INR200/t for lumps and INR250/t for fines. Though the price cuts will weigh on the company's near-term growth, NMDC aims to continuously improve volumes to offset the impact.
- NMDC trades at 4.5x FY26E EV/EBITDA and 1.7x FY26E P/B. We reiterate our BUY rating on the stock with a TP of INR260. Key risks: 1) ~105 iron ore blocks have been auctioned since FY16 (~57 blocks auctioned in FY23 and FY24E) of which ~30 mines are operational; when the remaining captive mines become operational, it would lead to an increase in the supply of iron ore, thus increasing the competition for NMDC; 2) NMDC relies heavily on a few customers, which exposes the company to business risk.

### Robust capex to support volume momentum

- NMDC is undertaking multiple capex projects across two verticals, i.e. dispatch and sales, which are expected to augment ore production, improve the product mix and enhance mining capacities.
- NMDC is enhancing its capacity by setting up a 12mt SP-III (screening plant) at Kirandul, along with downhill conveyor and 2mt screening line at Bachel.
- The 15mt slurry pipeline from Bailadila to Nagarnar is progressing well with almost all approvals received. Similarly, the 6mt beneficiation plant is expected to come on stream by the end of FY25.

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**Investors are advised to refer through important disclosures made at the last page of the Research Report.**

Motilal Oswal research is available on [www.motilaloswal.com/Institutional-Equities](http://www.motilaloswal.com/Institutional-Equities), Bloomberg, Thomson Reuters, Factset and S&P Capital.

- These capex plans, along with its presence in international geographies, will enhance its total capacity to 100mt.
- NMDC has earmarked a capex of INR17.5-18b for FY24 and INR20-21b for FY25.

#### Incremental EC to drive volumes beyond FY26E

- NMDC currently has ~51mt of EC (~19mt at Kirandul, ~19mt at Bachel, and the rest at Karnataka) and is expected to receive additional 3mt enhancement for Kumaraswamy mine.
- The company has also submitted an application to increase EC limits by 10% for Deposit 5 and 11 at Bachel, which would take the total EC to 56-60mt on receipt of all requisite permissions.
- Though NMDC will witness incremental volume over the next two-three years, volume is expected to remain stagnant after FY26 until new capacities and plants come on stream.
- NMDC is expected to enhance EC at Kirandul to 30-35mt over the next four to five years. Similarly, Bachel too is expected to reach 30mt over the next four to five years.
- Once the incremental EC is received, NMDC will witness a quantum jump in production going forward, which will eventually take the company's total production to 100mt.

#### Valuations remain attractive

- NMDC is trading at 4.5x FY26E EV/EBITDA and 1.7x FY26E P/B.
- In line with the recent correction in international prices, NMDC has reduced prices by INR200/t for lumps and INR250/t for fines. Though the price cuts will weigh on its near-term growth, NMDC aims to continuously improve volumes to offset the impact.
- Considering the strong outlook on volumes and strong demand from the steel sector, we reiterate our BUY rating on the stock with a TP of INR260 (6x FY26E EV/EBITDA).

#### Exhibit 1: Key operating metrics

Key metrics	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
Iron ore volume – mt	34.0	35.6	32.4	31.5	34.2	42.2	40.8	45.2	51.1	55.1
Blended realization - INR/t	2,479	3,220	3,756	3,713	4,663	6,455	4,623	4,730	4,759	4,851
Blended realization - USD/t	36.9	50.0	53.7	52.4	62.8	86.6	57.3	56.7	57.1	58.2
EBITDA - INR/t	1,262	1,752	2,207	1,974	2,669	3,138	1,584	1,650	1,760	1,897
EBITDA - USD/t	18.8	27.2	31.6	27.8	36.0	42.1	19.6	19.8	21.1	22.8

Source: MOFSL, Company

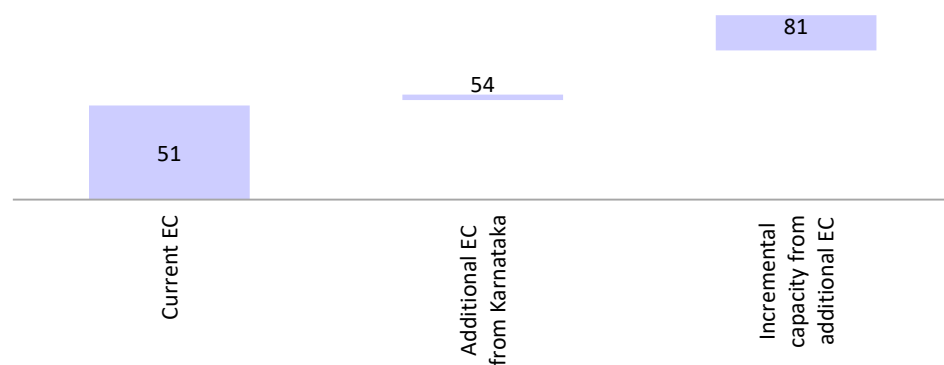
- Prices in the beginning of 4QFY24 improved by ~INR600/t for lumps and fines (adjusted to royalty, DMF and NMET) and were above Jun'22 levels. However, in line with the price correction in international markets, NMDC cut prices in Mar'24 by INR200/t for lumps and INR250/t for fines.
- In 11MFY24, production rose ~13% to 40.2mt and sales grew ~21% to ~40.5mt.
- NMDC has largely maintained its FY24 guidance at 47mt. However, the company is awaiting approval for the enhancement of the Kumaraswamy mine. If it gets approval, 47mt would be comfortably achieved. If not, production and sales may be a bit lower than the guidance.

**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

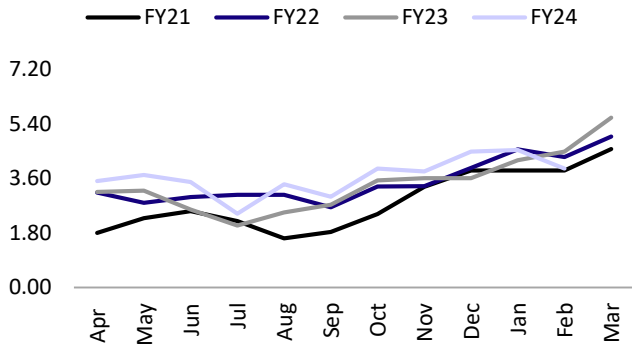
- NMDC currently has ~51mt of EC (~19mt at Kirandul, ~19mt at Bachel, and the rest at Karnataka) and is awaiting final clearance for 3mt additional EC at Kumaraswamy.
- The incremental production in FY26E will be driven by Kumaraswamy mines (~2-2.3mt) and Kirandul Mine (1-2mt).
- The company has also submitted an application to increase EC limits by 10% for Deposit 5 and 11 at Bachel, which would take the total EC to 56-60mt on receipt of all the requisite permissions.
- NMDC is expected to enhance EC at Kirandul to 30-35mt over the next four to five years. Similarly, Bachel too is expected to reach 30mt over the next four to five years.
- It is also exploring other international geographies, which will help to augment the capacity to 100mt.
- However, in our current estimates, we have accounted for production volumes of ~45mt/51mt/55mt for FY24E/FY25E/FY26E, which gives cushion if the company fails to achieve the guided volumes.

**Exhibit 3: Incremental volume bridge (in mt)\***

\*Incremental EC would be from Kirandul and Bachel mines

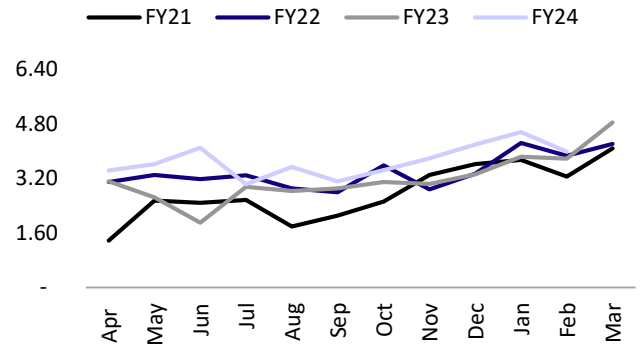
Source: MOFSL, Company

**Exhibit 4: FY24 monthly production (mt) dips MoM**



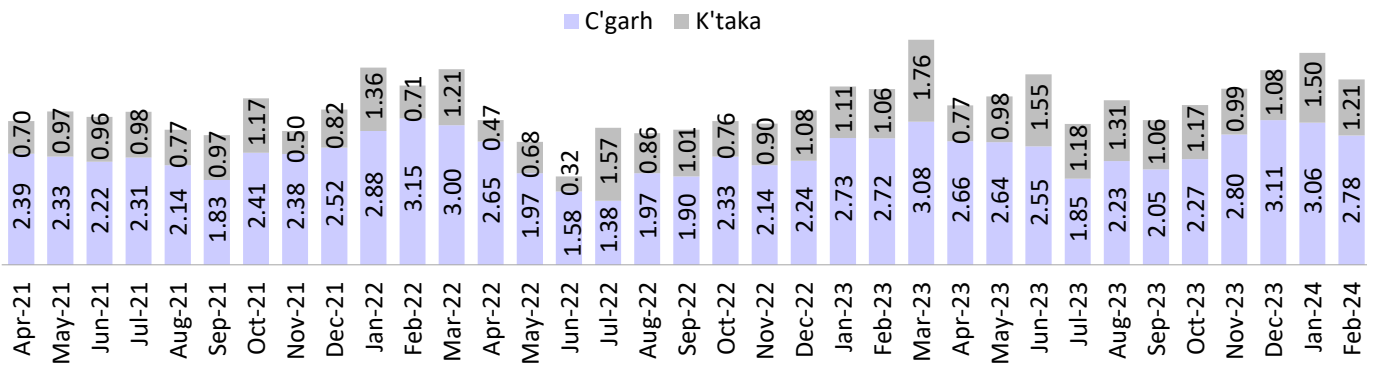
Source: MOFSL, Company

**Exhibit 5: Though monthly sales (mt) has dipped in Feb'24, it has remained at an elevated levels compared to PY**



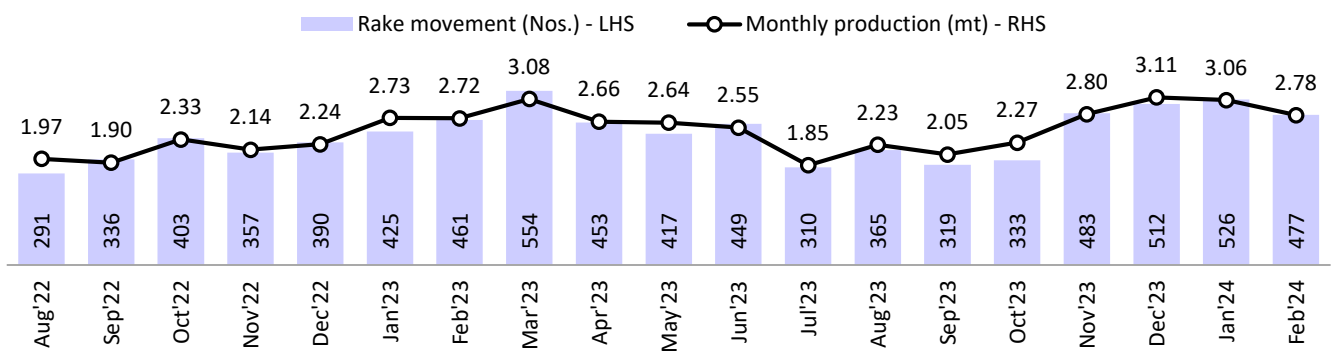
Source: MOFSL, Company

**Exhibit 6: Sales volume mix between Chhattisgarh and Karnataka (in mt)**



Source: MOFSL, Company

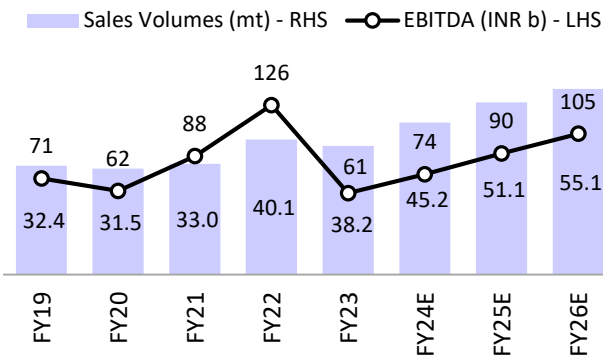
**Exhibit 7: Rake movement from Chhattisgarh mines**



Source: MOFSL, SteelMint, Company

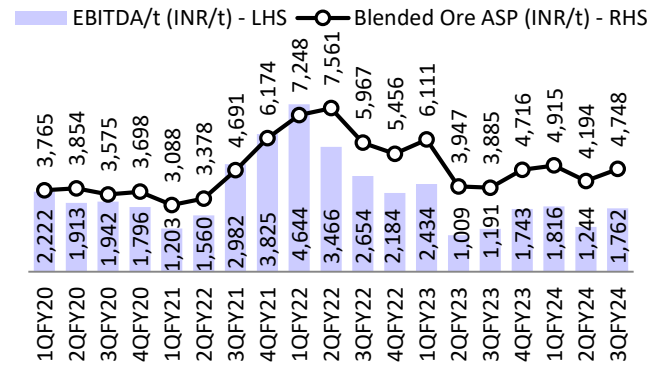
- In line with the monthly output, NMDC's rake movement from Chhattisgarh mines declined 9% MoM to 477 rakes.
- Dispatches to JSTL remained stable MoM at 106 rakes, while dispatches to RINL dropped by 38 rakes to 138 rakes.
- Share of RINL in total rake movement contracted from 33.5% to 28.9%

**Exhibit 8: EBITDA to be aided by rising iron ore volumes**



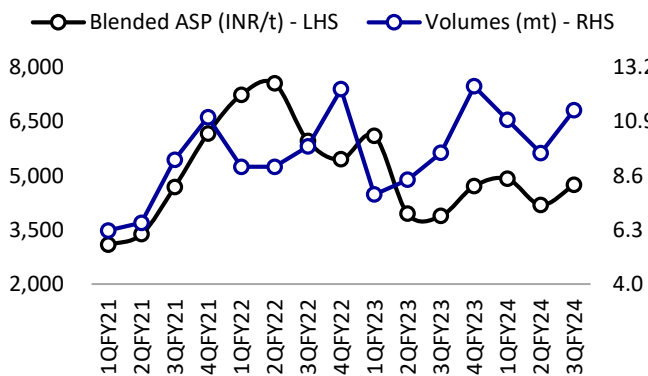
Source: MOFSL, Company

**Exhibit 9: Quarterly EBITDA/t and blended ASP**



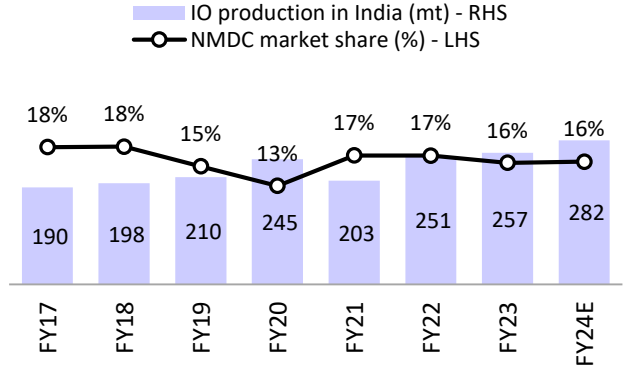
Source: MOFSL, Company

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



Source: MOFSL, Company

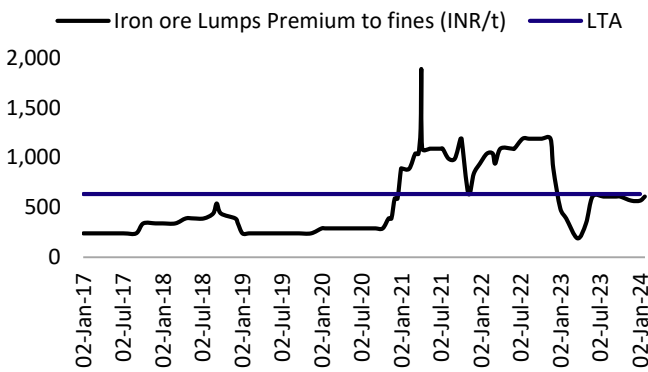
**Exhibit 11: NMDC market share is expected to remain stable**



Source: MOFSL, SteelMint, Company

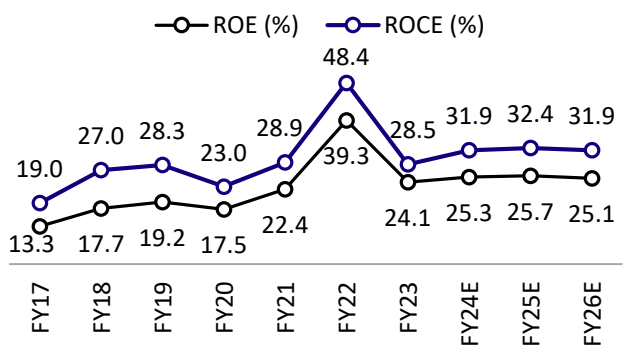
- Iron ore production in India is expected to grow at a healthy pace of ~7-11% to 275-285mt in FY24, driven by growth in the steel sector.
- As crude steel production increases to ~300mt by FY30-31 (under NSP 2017), demand for iron ore is expected to reach ~435-445mt. We believe NMDC, being the largest iron ore miner, is well placed to capitalize on the growth opportunities ahead.

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



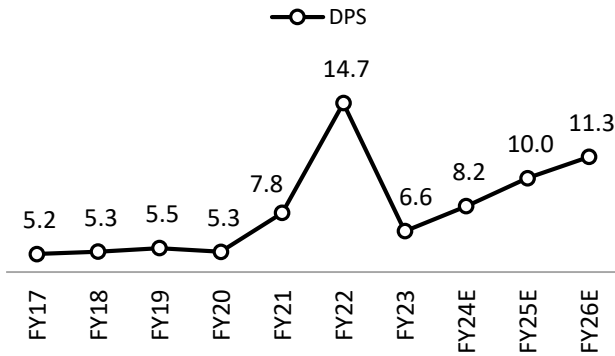
Source: MOFSL, Company

**Exhibit 13: ROE and ROCE to remain stable going forward**



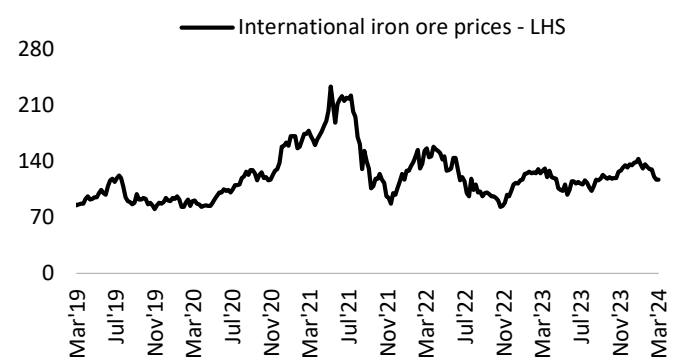
Source: MOFSL, Company

**Exhibit 14: Healthy dividend payout; NMDC declared first interim dividend of INR5.75/share**



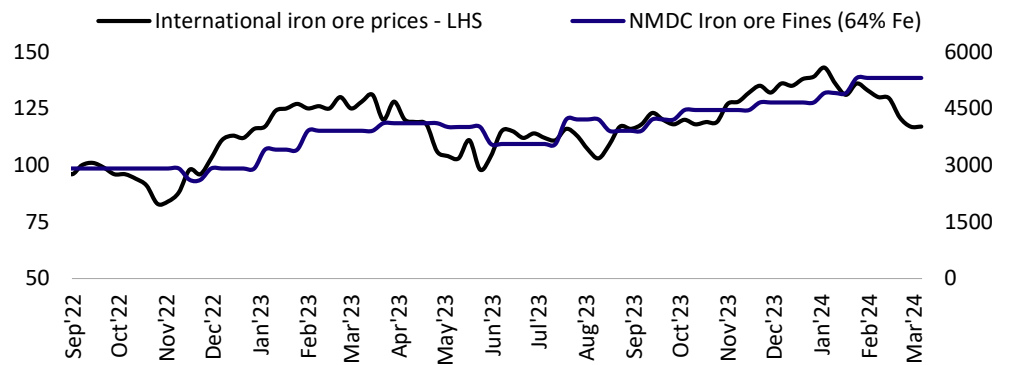
Source: MOFSL, Company

**Exhibit 15: International iron ore prices (USD/t) increased to ~USD130-133/t; currently at ~USD105-109/t**



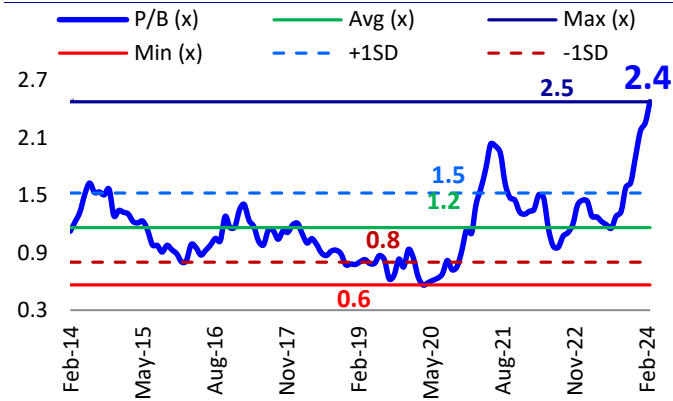
Source: MOFSL, SteelMint

**Exhibit 16: NMDC iron ore prices (INR/t) move in tandem with international prices (USD/t)**



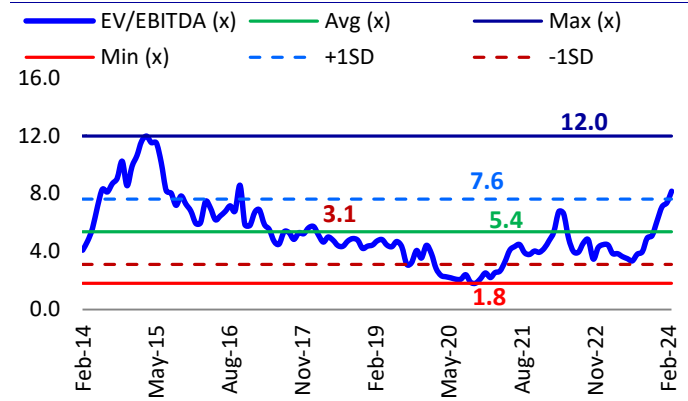
Source: MOFSL, SteelMint, Company

**Exhibit 17: P/B is near max**



Source: MOFSL, Company Data

**Exhibit 18: EV/EBITDA is also above +1SD**



Source: MOFSL, Company Data

**Exhibit 19: TP calculation**

Y/E March	UoM	FY26E
<b>Iron ore</b>		
Volumes	mt	55.1
EBITDA	INR/t	1,897
<b>EBITDA</b>	<b>INR m</b>	<b>104,535</b>
Target EV/EBITDA(x)	x	6.0
Target EV	INR m	627,209
Add: Net Cash	INR m	124,286
Equity Value	INR m	751,496
Share o/s	mn	2,931
<b>Target price (INR/share)</b>	<b>INR/sh</b>	<b>260</b>

Source: MOFSL

## Financials and Valuations

### Consolidated Income Statement

(INR b)

Y/E March	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
<b>Net sales</b>	<b>122</b>	<b>117</b>	<b>154</b>	<b>259</b>	<b>177</b>	<b>214</b>	<b>243</b>	<b>267</b>
Change (%)	4.6	-3.7	31.4	68.4	-31.7	20.9	13.9	9.9
Total Expenses	50	55	66	133	116	139	153	163
<b>EBITDA</b>	<b>71</b>	<b>62</b>	<b>88</b>	<b>126</b>	<b>61</b>	<b>74</b>	<b>90</b>	<b>105</b>
% of Net Sales	58.8	53.2	57.2	48.6	34.3	34.9	37.0	39.1
<b>EBITDA/t</b>	<b>2,207</b>	<b>1,974</b>	<b>2,669</b>	<b>3,138</b>	<b>1,584</b>	<b>1,650</b>	<b>1,760</b>	<b>1,897</b>
Deprn. & Amortization	3	3	2	3	3	3	4	5
<b>EBIT</b>	<b>69</b>	<b>59</b>	<b>86</b>	<b>123</b>	<b>57</b>	<b>71</b>	<b>86</b>	<b>99</b>
Net Interest	0	0	0	0	1	1	1	1
Other income	6	5	3	7	8	13	13	12
<b>PBT before EO</b>	<b>74</b>	<b>64</b>	<b>89</b>	<b>130</b>	<b>64</b>	<b>83</b>	<b>97</b>	<b>111</b>
EO income	(2)	(11)	-	-	12	(3)	-	-
<b>PBT after EO</b>	<b>72</b>	<b>54</b>	<b>89</b>	<b>130</b>	<b>76</b>	<b>80</b>	<b>97</b>	<b>111</b>
Tax	26	17	26	36	21	20	24	28
Rate (%)	35.5	32.5	29.8	27.6	27.6	25.5	25.0	25.0
<b>PAT before MI and Sh. of Asso.</b>	<b>46</b>	<b>36</b>	<b>63</b>	<b>94</b>	<b>55</b>	<b>60</b>	<b>73</b>	<b>83</b>
MI	(0)	(0)	(0)	(0)	0	(0)	-	-
Sh. of Asso.	(0)	(0)	0	(0)	1	0	-	-
<b>PAT after MI and Sh. of Asso.</b>	<b>46</b>	<b>36</b>	<b>63</b>	<b>94</b>	<b>56</b>	<b>60</b>	<b>73</b>	<b>83</b>
<b>Adjusted PAT</b>	<b>48</b>	<b>47</b>	<b>63</b>	<b>94</b>	<b>49</b>	<b>62</b>	<b>73</b>	<b>83</b>
Change (%)	14.8	-2.0	34.6	49.3	-47.7	26.3	17.9	13.6

### Consolidated Balance Sheet

(INR b)

Y/E March	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
Share Capital	3	3	3	3	3	3	3	3
Reserves	256	272	295	177	223	259	303	353
<b>Share holders funds</b>	<b>260</b>	<b>275</b>	<b>298</b>	<b>180</b>	<b>226</b>	<b>262</b>	<b>306</b>	<b>356</b>
Loans	4	6	20	18	4	4	4	4
Long-term Provisions	8	8	9	12	14	14	14	14
<b>Capital Employed</b>	<b>271</b>	<b>289</b>	<b>327</b>	<b>211</b>	<b>245</b>	<b>281</b>	<b>324</b>	<b>374</b>
Gross Block	53	59	62	70	54	71	91	114
Less: Accum. Deprn.	26	28	31	34	22	25	29	35
<b>Net Fixed Assets</b>	<b>27</b>	<b>30</b>	<b>32</b>	<b>37</b>	<b>32</b>	<b>46</b>	<b>62</b>	<b>79</b>
Capital WIP	138	155	171	13	20	20	20	20
Investments	9	10	10	9	9	9	9	9
<b>Curr. Assets</b>	<b>123</b>	<b>116</b>	<b>156</b>	<b>190</b>	<b>221</b>	<b>244</b>	<b>273</b>	<b>306</b>
Inventories	7	7	9	21	27	32	37	40
Sundry Debtors	14	22	21	30	27	32	37	40
Cash and Bank	46	24	58	80	71	83	103	128
Loans and Advances	56	63	67	60	97	97	97	97
<b>Curr. Liability &amp; Prov.</b>	<b>27</b>	<b>22</b>	<b>41</b>	<b>38</b>	<b>38</b>	<b>39</b>	<b>39</b>	<b>40</b>
Sundry Creditors	2	2	4	7	4	5	6	6
Other Liabilities & prov.	25	20	37	32	34	34	34	34
<b>Net Current Assets</b>	<b>96</b>	<b>94</b>	<b>115</b>	<b>152</b>	<b>183</b>	<b>205</b>	<b>233</b>	<b>266</b>
<b>Application of Funds</b>	<b>271</b>	<b>289</b>	<b>327</b>	<b>211</b>	<b>245</b>	<b>281</b>	<b>324</b>	<b>374</b>

## Financials and Valuations

<b>Key Ratios</b>								
<b>Y/E March</b>	<b>FY19</b>	<b>FY20</b>	<b>FY21</b>	<b>FY22</b>	<b>FY23</b>	<b>FY24E</b>	<b>FY25E</b>	<b>FY26E</b>
<b>Basic (INR)</b>								
<b>EPS</b>	<b>15.5</b>	<b>15.2</b>	<b>21.4</b>	<b>32.0</b>	<b>16.7</b>	<b>21.1</b>	<b>24.9</b>	<b>28.3</b>
Cash EPS	16.5	16.2	22.2	33.0	17.9	22.3	26.4	30.1
BV/Share	84.8	89.9	101.5	61.5	77.2	89.5	104.5	121.5
DPS	5.5	5.3	7.8	14.7	6.6	8.2	10.0	11.3
Payout (%)	45.9	54.0	36.4	46.0	19.8	40.0	40.0	40.0
<b>Valuation (x)</b>								
P/E	13.0	13.2	9.4	6.3	12.1	9.5	8.1	7.1
Cash P/E	12.3	12.5	9.1	6.1	11.3	9.1	7.6	6.7
P/BV	2.4	2.2	2.0	3.3	2.6	2.3	1.9	1.7
EV/Sales	4.7	5.1	3.6	2.0	3.0	2.4	2.0	1.7
EV/EBITDA	8.1	9.6	6.3	4.2	8.7	6.9	5.5	4.5
Dividend Yield (%)	2.7	2.6	3.8	7.3	3.3	4.1	4.9	5.6
<b>Return Ratios (%)</b>								
EBITDA Margins	58.8	53.2	57.2	48.6	34.3	34.9	37.0	39.1
Net Profit Margins	39.2	39.9	40.9	36.2	27.8	29.0	30.0	31.0
RoE	19.2	17.5	22.4	39.3	24.1	25.3	25.7	25.1
RoCE	28.3	23.0	28.9	48.4	28.5	31.9	32.4	31.9
RoIC	94.2	66.6	90.6	124.8	45.2	45.4	47.4	48.5
<b>Working Capital Ratios</b>								
Fixed Asset Turnover (x)	2.3	2.0	2.5	3.7	3.3	3.0	2.7	2.4
Asset Turnover (x)	0.4	0.4	0.5	1.2	0.7	0.8	0.7	0.7
Debtor (Days)	43	69	51	42	55	55	55	55
Inventory (Days)	20	23	22	30	55	55	55	55
Creditors (Days)	6	7	9	9	9	9	9	9
<b>Growth (%)</b>								
Sales	4.6	-3.7	31.4	68.4	-31.7	20.9	13.9	9.9
EBITDA	13.0	-12.9	41.4	43.0	-51.9	23.1	20.8	16.2
PAT	14.8	-2.0	34.6	49.3	-47.7	26.3	17.9	13.6
<b>Leverage Ratio (x)</b>								
Current Ratio	4.6	5.3	3.8	5.0	5.8	6.3	6.9	7.6
Debt/Equity	-0.2	-0.1	-0.1	-0.3	-0.3	-0.3	-0.3	-0.3
<b>Consolidated Cash Flow Statement</b>								
								<b>(INR b)</b>
<b>Y/E March</b>	<b>FY19</b>	<b>FY20</b>	<b>FY21</b>	<b>FY22</b>	<b>FY23</b>	<b>FY24E</b>	<b>FY25E</b>	<b>FY26E</b>
Pre-tax profit	72	54	89	130	76	80	97	111
Depreciation	3	3	2	3	3	3	4	5
(Inc)/Dec in Wkg. Cap.	-8	-21	5	-23	-31	-10	-8	-7
Tax paid	-26	-23	-25	-44	-21	-20	-24	-28
Other operating activities	0	8	2	3	-3	1	1	1
<b>CF from Op. Activity</b>	<b>41</b>	<b>21</b>	<b>73</b>	<b>69</b>	<b>25</b>	<b>54</b>	<b>70</b>	<b>82</b>
(Inc)/Dec in FA + CWIP	-20	-24	-16	-12	-14	-18	-20	-23
(Pur)/Sale of Investments	7	17	1	-24	9			
Others	5	4	-28	4	6			
<b>CF from Inv. Activity</b>	<b>-8</b>	<b>-3</b>	<b>-43</b>	<b>-32</b>	<b>0</b>	<b>-18</b>	<b>-20</b>	<b>-23</b>
Equity raised/(repaid)	-10		-17					
Interest paid	0	0	0	0	-1	-1	-1	-1
Debt raised/(repaid)	-1	2	14	3	-14			
Dividend (incl. tax)	-21	-20	-23	-43	-11	-24	-29	-33
Other financing activities	0	0	0	-1	0			
<b>CF from Fin. Activity</b>	<b>-33</b>	<b>-18</b>	<b>-26</b>	<b>-41</b>	<b>-25</b>	<b>-25</b>	<b>-30</b>	<b>-34</b>
<b>(Inc)/Dec in Cash</b>	<b>0</b>	<b>1</b>	<b>4</b>	<b>-3</b>	<b>0</b>	<b>12</b>	<b>20</b>	<b>26</b>
Add: opening Balance	0	0	1	5	1	1	13	33
Closing cash balance	0	1	5	1	1	13	33	58
Bank Balance	46	23	53	79	70	70	70	70
<b>Closing cash balance (incl bank balance)</b>	<b>46</b>	<b>24</b>	<b>58</b>	<b>80</b>	<b>71</b>	<b>83</b>	<b>103</b>	<b>128</b>

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Explanation of Investment Rating	
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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

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