1 May 2025

Lloyds Metals and Energy

Mine expansion EC expected by May end; Phase-I pellet plant and DRI facility nearing completion; Buy

Rating: **Buy**
Target Price (12-mth): Rs.1,570
Share Price: Rs.1,210

Public hearing and mine inspection for EC enhancement has already been completed and is awaiting a formal response from the MoEF. Environmental public hearing for the EC expansion which completed in Jan'25 received consent from representatives of ~30 villages and the management expects receipt of formal response by end of May'25. As there is a slight delay in EC, the company expects ~1-1.2m tonne of lower iron ore production in FY26. The 85km slurry pipeline between Hedri and the Konsari has been completed and will ramp-up in sync with EC clearance (the company has already started transportation of the material on trial basis). The 0.36m tonnes DRI and 4m tonnes pellet plant are expected to be completed by Jun-Jul'25 and the benefit from these facilities is expected to accrue from Q2FY26 onwards. The company in Dec'24 announced acquisition of Thriveni MDO and the management has planned multiple cost saving initiatives with potential savings of >$2.4b over next decade. We assume Q1FY26 to be an eventful quarter with receipt of EC by end of May'25 along with commissioning of slurry pipeline, pellet and DRI facility. We have increased our FY26/FY27 revenue estimates by 3.5%/2.4% and EBITDA estimates by 1.9%/2.4%. We retain our Buy rating, with a TP of Rs1,570, FY27e (a sum-of-parts valuation).

Q4FY25 financial performance. Sales volume at 1.66m tonnes down 32% q/q. Limited volumes were available in Q4FY25 as the yearly volumes were capped at 10m tonnes due to delay in receipt of EC. As the company was expecting EC in Q4FY25, higher volumes were dispatched till Dec'24 which too restricted the volumes to an extent in Q4FY25. Revenue stood at Rs11.9bn (in-line with ARe), EBITDA at Rs2.6bn was below ARe and APAT stood at Rs2bn.

On-going capex. The company is enhancing presence across the ferrous value chain by setting up integrated steel manufacturing facilities in Chandrapur and Gadchiroli. Construction for 1.2m tonnes wire rod facility has already commenced and the orders for major machineries for 4m tonnes phase-II pellet plant has already been placed. These projects are expected to be completed by Jun-Sep'26. The company has entered into agreement with Sinosteel to set up BHQ beneficiation plants which are expected to commission in three phases between Jun'27-Mar'28. The company has laid down clear roadmap with the on-going expansion projects.

Outlook, Valuation. Considering projects progressing as per their timeline, IPS benefit, acquisition of MDO business and mine EC expected soon; we retain our Buy rating with a TP of Rs.1,570, FY27e (a sum-of-parts valuation).

Key financials (YE Mar)	FY23	FY24	FY25	FY26e	FY27e
Sales (Rs m)	33,923	65,217	67,214	1,54,292	1,91,171
EBITDA (Rs m)	8,103	17,283	19,529	62,117	79,706
Adj. PAT (Rs m)	9,059	12,429	14,499	45,301	60,427
EPS (Rs)	17.9	24.6	27.7	80.9	107.9
P/E (x)	67.3	49.1	43.6	14.9	11.2
EV / EBITDA (x)	74.8	35.1	32.3	11.0	8.6
ROE (%)	-28.7	57.3	31.5	47.6	38.7

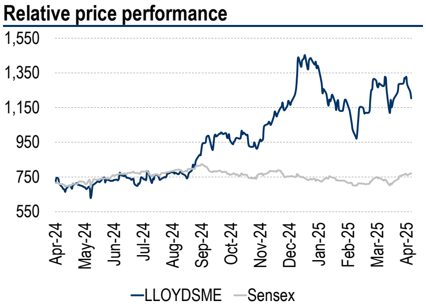
Source: Company, Anand Rathi Research

Key data	LLOYDSME IN / LYMT.BO
52-week high / low	Rs.1478 / 592
Sensex / Nifty	80293 / 24287
Market cap	Rs629bn
Shares outstanding	523m

Shareholding pattern (%)	Mar'25	Dec'24	Sep'24
Promoters	63.4	63.5	63.5
- of which, Pledged	*16.8*	*18.2*	*18.2*
Free float	36.6	36.5	36.5
- Foreign institutions	2.1	2.0	2.0
- Domestic institutions	1.9	1.8	1.3
- Public	32.6	32.7	33.2

Estimates revision (%)	FY26e	FY27e
Revenue	3.5	2.4
EBITDA	1.9	2.4
APAT	0.6	0.3

Relative price performance



Source: Bloomberg

Parthiv Jhonsa
Research Analyst

Prakhar Khajanchi
Research Analyst

Quick Glance – Financials and Valuations (consol.)

Fig 1 – Income statement (Rs m)

Year-end: Mar	FY23	FY24	FY25	FY26e	FY27e
Revenue	33,923	65,217	67,214	1,54,292	1,91,171
Revenue growth (%)	*386.4*	*92.2*	*3.1*	*129.6*	*23.9*
Expenses	25,820	47,934	47,685	92,175	1,11,465
EBITDA	8,103	17,283	19,529	62,117	79,706
EBITDA growth (%)	*456.8*	*113.3*	*13.0*	*218.1*	*28.3*
EBITDA margins (%)	*23.9*	*26.5*	*29.1*	*40.3*	*41.7*
Depreciation	230	490	808	1,713	2,958
Other income	745	529	512	912	5,217
Interest expenses	650	57	272	753	1,180
PBT before excep. items	7,967	17,265	18,961	60,563	80,785
Exceptional items	-11,944	0	0	0	0
PBT after exceptional items	-3,977	17,265	18,961	60,563	80,785
Effective tax	-1,091	4,836	4,462	15,262	20,358
PAT (before Ass./ (Mino.)	-2,885	12,429	14,499	45,301	60,427
+ Associates / (Minorities)	0	0	0	0	0
Reported PAT	-2,885	12,429	14,499	45,301	60,427
Adj. PAT	9,059	12,429	14,499	45,301	60,427
Adj. PAT growth (%)	*509.1*	*37.2*	*16.7*	*212.4*	*33.4*

Fig 2 – Balance sheet (Rs m)

Year-end: Mar	FY23	FY24	FY25	FY26e	FY27e
Share capital	505	505	523	560	560
Net worth	15,290	28,109	64,021	1,26,498	1,86,085
Debt	28	331	7,952	14,952	20,952
Minority interest	0	0	0	0	0
DTL / (Assets)	-1,374	864	755	755	755
Others	226	249	350	350	350
Capital employed	**14,169**	**29,553**	**73,078**	**1,42,555**	**2,08,142**
Net tangible assets	4,817	11,568	15,315	50,287	90,513
Net intangible assets	0	0	0	0	0
CWIP	2,979	12,682	41,811	65,126	91,942
Investments	0	0	0	0	0
Other non-current assets	1,870	3,851	6,839	6,839	6,839
Inventory	2,698	2,311	4,318	7,609	8,380
Accounts receivable	245	799	1,714	2,536	2,095
Cash (incl. bank balance)	3,013	3,162	8,143	8,930	8,259
Other current assets	3,264	5,003	16,027	23,644	23,459
Current liabilities	4,717	9,823	21,089	22,417	23,345
Capital deployed	**14,169**	**29,553**	**73,078**	**1,42,555**	**2,08,142**

Fig 3 – Cash-flow statement (Rs m)

Year-end: Mar	FY23	FY24	FY25	FY26e	FY27e
EBITDA	8,103	17,283	19,529	62,117	79,706
+ other adj.	0	0	0	0	0
- Incr. / (decr.) in WC	-1,447	1,539	-3,092	-10,403	784
Others incl. taxes	-11,821	-1,811	-4,920	-15,262	-20,358
CF from op. activity	**-5,165**	**17,010**	**11,517**	**36,452**	**60,132**
- Capex (tang. + intang.)	-3,884	-16,943	-36,956	-60,000	-70,000
Free cash-flow	**-9,048**	**68**	**-25,439**	**-23,548**	**-9,868**
Others	-2,239	-311	-2,804	912	5,217
CF from inv. activity	**-6,123**	**-17,254**	**-39,760**	**-59,088**	**-64,783**
- Div. (incl. buyback & taxes)	0	0	0	-560	-840
+ Debt raised	0	0	0	7,000	6,000
Others	11,426	-6	28,080	16,982	-1,180
CF from fin. activity	**11,426**	**-6**	**28,080**	**23,422**	**3,980**
Inc/Dec in cash	138	-250	-163	787	-671
Closing bal. (incl. bank bal.)	**3,013**	**3,162**	**8,143**	**8,930**	**8,259**

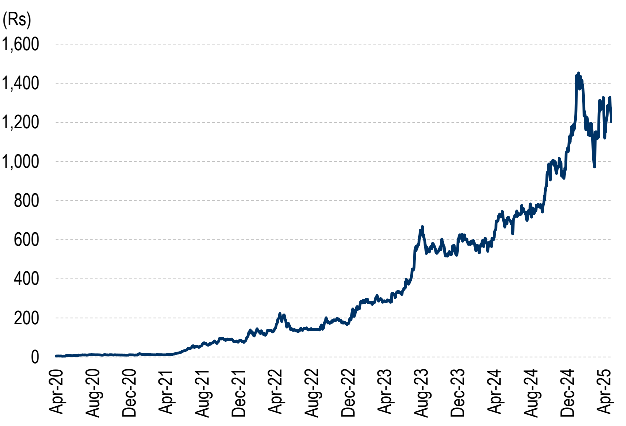
Source: Company, Anand Rathi Research

Fig 4 – Ratio analysis

Year-end: Mar	FY23	FY24	FY25	FY26e	FY27e
EPS (Rs)	17.9	24.6	27.7	80.9	107.9
P/E (x)	67.3	49.1	43.6	14.9	11.2
P/BV (x)	39.9	21.7	9.9	5.3	3.6
EV / EBITDA (x)	74.8	35.1	32.3	11.0	8.6
EV / Sales (x)	17.9	9.3	9.4	4.4	3.6
RoE (%)	-28.7	57.3	31.5	47.6	38.7
RoCE (%)	82.3	79.2	37.5	56.9	46.7
DPS (Rs)	0	1	1	1	1.5
Dividend payout (%)	0.0	4.1	3.6	1.2	1.4
Debt / Equity (x)	0.0	0.0	0.1	0.1	0.1
Inventory (days)	29	13	23	18	16
Debtors (days)	3	4	9	6	4
Payable (days)	8	22	2	4	5
EBITDA margins (%)	23.9	26.5	29.1	40.3	41.7
APAT margins (%)	26.7	19.1	21.6	29.4	31.6

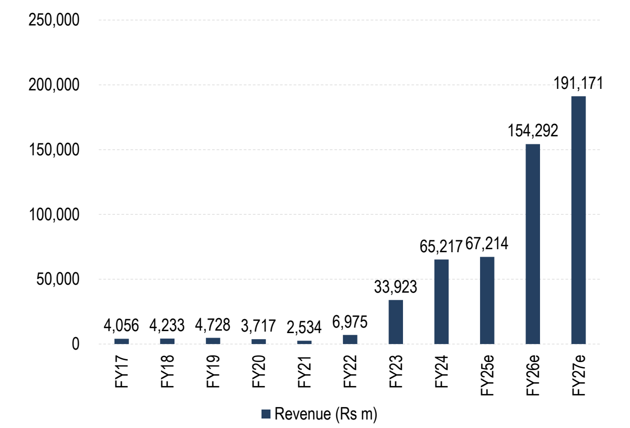
Source: Company, Anand Rathi Research

Fig 5 – Price movement



Source: Bloomberg

Fig 6 – 43% revenue CAGR over FY24-27e



Source: Company, Anand Rathi Research

Concall Highlights

- Mine expansion EC is expected to be received by end of May’25.
- Delay in receipt of EC is expected to impact FY26 iron ore production ~1-1.2m tonnes.
- As the company was expecting receipt of EC in Q4FY25, higher volumes were dispatched till Dec’24. Delay in EC capped the volumes to 10m tonnes in FY25.
- Iron ore volumes are expected to be higher in Q1FY26 and company is expected to produce ~20% of its yearly volumes during monsoons. Volumes are expected to improve in H2FY26.
- ~70-75% of the iron ore and pellet volumes will be sold within the radius of 400-600km.
- ~$2.4b of cost optimization across the value chain is expected after the MDO merger is concluded. The matter is with NCLT with 1st Apr’25 as the appointment date.
- 85km slurry pipeline between Hedri pumping station and Konsari has been completed and the material has started moving between the two locations on trial basis. The pipeline will ramp-up in two phases (5m tonnes each) and will be in sync with receipt of EC and commissioning of pellet plant.
- Phase-I pellet plant is expected to be completed by Jun’25 and 0.36m tonnes DRI facility by Jul’25. Phase-II pellet plant is expected to be commissioned by Jun-Jul’26, 1.2m tonnes wire rod facility by Sep’26, the first 15m tonnes BHQ beneficiation facility by Jun’27, the remaining two BHQ beneficiation facility by Mar’28 (gap of six months between the phases) and 3m tonnes steel plant by Mar-Sep’29.
- Phase I of BHQ is expected to commence after Diwali’25.
- Lease for 25 mines with ~108m tonnes of capacity is expected to expire till CY30. These mines will be auctioned and considering the current auction premium, cost curves for these mines have a risk of sharp increase.
- Capex for FY26 and FY27 is expected ~Rs60-65b and Rs70-80b respectively.
- IPS accrual will start once the plant commissions operations. However, the impact in cash flow is at a lag of one financial year. Usually it takes ~1-1.5 years for Maharashtra government to disburse the IPS amount after the accrual. Under IPS, the company would receive 115% of its Chandrapur project capex and 150% of the Gadchiroli project capex. The company is expected to receive ~Rs350-400mn under IPS scheme in FY26.

Capex timeline

Fig 7 – On-going and future capex

Capex	Progress so far	Remarks	Expected completion date
EC	Public hearing completed	Awaiting formal response from MoEF	End of May'25
85kms 10m tonnes slurry pipeline from Hedri to Konsari	Completed	Ramp-up in sync with receipt of EC. Freight cost reduction of Rs500-600/tonne expected	Movement of material on trial run already started
Pellet plant -I	Last phase of completion	Will be in sync with receipt of EC	Jun'25
DRI facility	Last phase of completion	-	Jul'25
Pellet plant -II	Major machineries ordered	-	Jun-Jul'26
1.2m tonnes wire rod facility	Construction work has started		Sep'26
BHQ beneficiation	Primary engineering completed and ground progress is expected to commence from Diwali'25	The 5 tonnes per hour pilot project have been completed which has delivered excellent results with >Fe66% on a consistent basis.	Jun'27-Mar'28 in three phases
195km 5m tonnes slurry pipeline from Hedri to Ghughus	Survey and preliminary engineering completed	Freight cost reduction of Rs800-1,000/tonne expected. Material will feed Pellet plant-III	
Pellet plant -III	Land procured	EC is progress. Construction work to start in Q4FY26	
3m tonnes steel facility	EC and land procurement in progress	Construction work to start before Q1FY27	Mar-Sep'29

Source: Company, Anand Rathi Research

Strategic acquisition of MDO business

Fig 8 – Driving cost optimisation across the value chain

Acquisition of Thriveni MDO Operations(80%) in INR 700 mn	• Per tonne savings on iron ore to the tune of **INR 400-500 on a consolidated basis**
Slurry Pipeline • 85kms-10mnt- From Hedri to Konsari • 195kms-5mnt-From Hedri to Ghughus	• Freight cost reduction of **INR 500-600** per tonne on 85kms slurry pipeline • Freight cost reduction of **INR 800-1000** tonne on 195kms slurry pipeline
Captive Logistics • Investment in a fleet of trucks to ensure captive logistics, which are currently third-party	• Internal; Freight to reduce **by INR 100-150 per tonne**
Investment in Renewable Energy • to secure 100MW of power for captive consumption	• Significant cost savings of up to **INR 100 crore** annually for the Mining & Pellet operations
Ensuring Raw Material Security through Access to Coking Coal Mines via MDO operations	• **Savings of INR 1800-2000 per tonne** in coal costs for 1.2mnt steel plant in Ghughus

Total savings of more than INR 20,000 cr (USD 2.4bn) over 10 years on a consolidated basis

Source: Company

Q4FY25 Results Highlights

Fig 9 – Quarterly trend, consolidated

(Rs m)	Q1 FY24	Q2 FY24	Q3 FY24	Q4 FY24	Q1 FY25	Q2 FY25	Q3 FY25	Q4 FY25	Q4 FY25e	% est.	% Y/Y	% Q/Q
Revenue	19,655	10,913	19,105	15,543	24,172	14,357	16,752	11,933	11,816	1.0	-23.2	-28.8
Revenue growth (q/q)	*124.3*	*-44.5*	*75.1*	*-18.6*	*55.5*	*-40.6*	*16.7*	*-28.8*				
EBITDA	5,359	2,863	4,477	4,584	7,187	4,367	5,364	2,611	3,173	-17.7	-43.0	-51.3
EBITDA growth (q/q)	*225.7*	*-46.6*	*56.3*	*2.4*	*56.8*	*-39.2*	*22.8*	*-51.3*				
EBITDA margins (%)	*27.3*	*26.2*	*23.4*	*29.5*	*29.7*	*30.4*	*32.0*	*21.9*				
Depreciation	76	102	147	165	187	177	221	223				
Other income	119	199	131	81	58	81	180	193				
Interest expenses	5	10	19	23	19	36	83	134				
PBT before EO	5,397	2,951	4,442	4,476	7,039	4,236	5,241	2,446				
PBT after EO	5,397	2,951	4,442	4,476	7,039	4,236	5,241	2,446				
Effective tax	1,364	638	1,127	1,707	1,465	1,222	1,348	427				
PAT (before Ass. / (Mino.)	4,033	2,313	3,315	2,769	5,574	3,014	3,893	2,019				
Reported PAT	4,033	2,313	3,315	2,769	5,574	3,014	3,893	2,019				
APAT	4,033	2,313	3,315	2,769	5,574	3,014	3,893	2,019	2,321	-13.0	-27.1	-48.1
APAT growth (q/q)	*49.9*	*-42.7*	*43.3*	*-16.5*	*101.3*	*-45.9*	*29.2*	*-48.1*				
Production volumes (m tonnes)												
Iron ore	3.40	1.98	2.48	2.00	4.00	1.90	2.70	1.40	1.40	0.0	-30.0	-48.1
DRI	0.07	0.05	0.08	0.07	0.08	0.08	0.08	0.07	0.07	0.0	3.8	-9.1
Sales volumes (m tonnes)												
Iron ore	3.21	1.98	2.48	1.98	3.39	1.98	2.43	1.66	1.68	-1.0	-16.2	-31.7
DRI	0.07	0.05	0.08	0.07	0.08	0.08	0.08	0.07	0.07	-0.2	3.5	-10.2
Expenses as a % of revenue												
Cost of materials consumed	5.2	5.8	21.1	20.7	10.1	19.2	7.9	12.9				
Employee cost	1.1	2.7	1.9	1.9	1.4	2.4	2.4	4.5				
Mining and royalty expense (incl. selling)	59.4	57.1	43.7	39.5	52.8	44.0	50.9	47.2				
Finance cost	0.0	0.1	0.1	0.1	0.1	0.3	0.5	1.1				
Depreciation	0.4	0.9	0.8	1.1	0.8	1.2	1.3	1.9				
Other expenses	6.9	8.1	9.8	8.4	6.0	3.9	6.7	13.5				
Total	73.1	74.8	77.4	71.7	71.1	71.1	69.8	81.1				

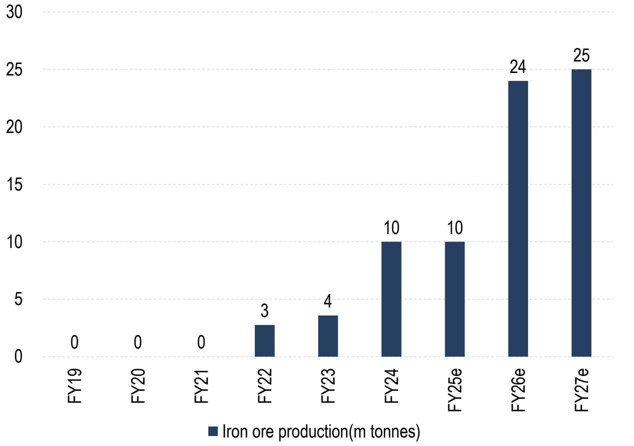
Source: Company, Anand Rathi Research

Q4 and FY25 financial analysis

Once the EC is received the company is confident to ramp its iron ore production run-rate to 25m tonnes (FY26e production volume ~24m tonnes). The company operates one of the highest-grade low silica-alumina iron ore mine in Maharashtra. Once the EC is received the company is expected to achieve 25m tonnes of DSO (direct shipped ore) and eventually transition in phases to 10m tonnes of DSO and 45m tonnes of BHQ (to yield ~15m tonnes of high-grade usable ore). Till these beneficiation facilities are operationalized in phases, the company would continue to ship ore which would gradually be replaced by BHQ.

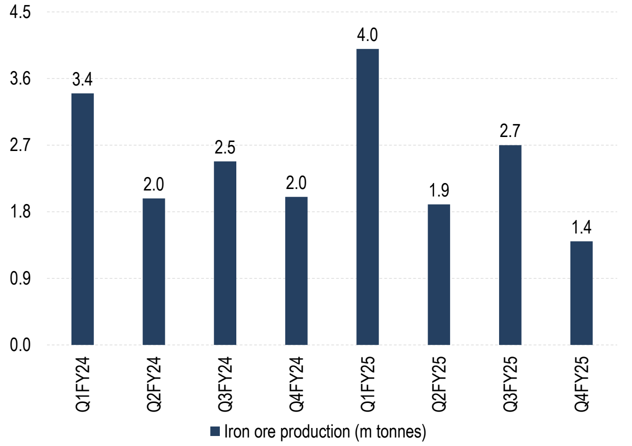
The iron ore demand is expected to grow over next few decades in India and in this regard the iron ore threshold has been revised to Fe45% and Fe35% for hematite ore and siliceous hematite ore, respectively. With fast depletion of high-grade iron ore it becomes imperative that the mining industry also identify lean grade such as BHQ and beneficiate it to required grades for the steel industry otherwise it may remain as untapped/waste. The company has entered into agreement with Sinosteel to set up these beneficiation plants. The 5 tonnes per hour pilot project have been completed which has delivered excellent results with >Fe66% on a consistent basis. As per multiple test results for the pilot plant the yield has worked out >35% with >Fe66%. The company has ~706m tonnes BHQ R&R which will be beneficiated to Fe65-67%. Primary engineering work for the BHQ plant has been completed and major equipment procuring is in progress. The ground process for 15m tonnes phase-I is expected by Diwali'25. BHQ beneficiation is a well-practised process in China, and these facilities which are being commissioned by the company are expected to be the first of its kind for any Indian entity. China mines ~300-350m tonnes of BHQ and beneficiates the same to ~Fe62-64%.

Fig 10 – Iron ore production expected to reach 25m tonnes in FY27



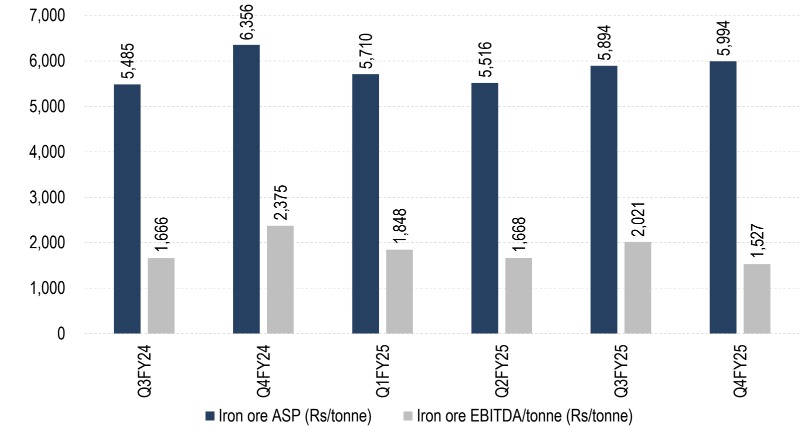
Source: Company, Anand Rathi Research

Fig 11 – Quarterly iron ore production; yearly volumes capped at 10m tonnes in FY24 and FY25



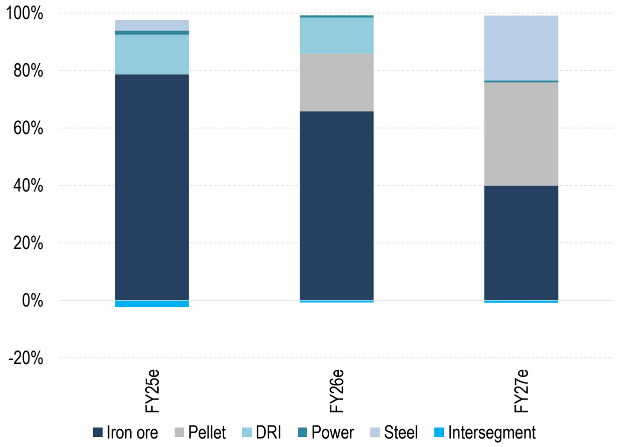
Source: Company, Anand Rathi Research

Fig 12 – Iron ore ASP improved 2% q/q, however, there was a reduction in EBITDA/tonne



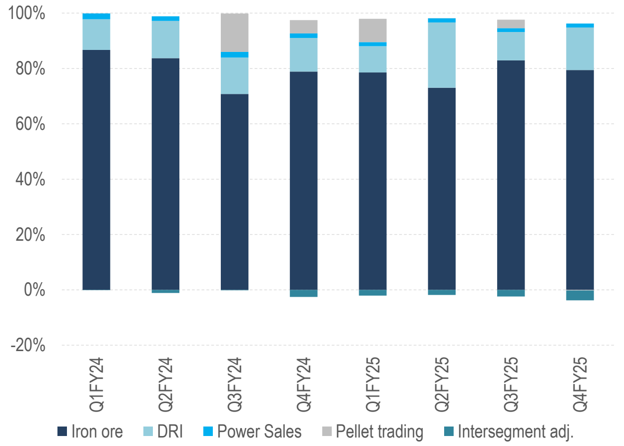
Source: Company, Anand Rathi Research

Fig 13 – Yearly segmental break-up (%); steel vertical is expected to contribute substantially going forward



Source: Company, Anand Rathi Research

Fig 14 – Quarterly segmental break-up (%); share of iron ore in Q4 reduced due to availability of limited quantity

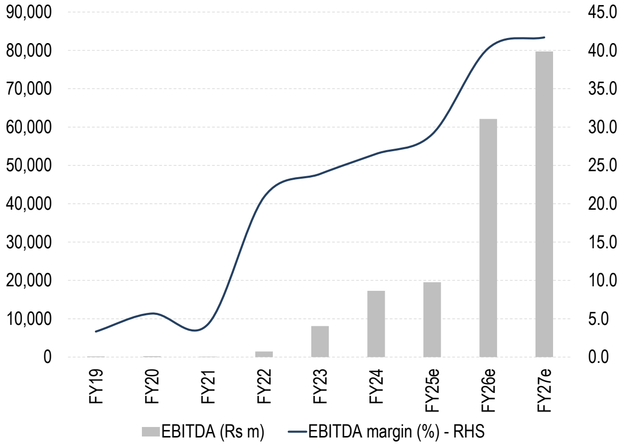


Source: Company, Anand Rathi Research

We expect EBITDA to surpass the revenue CAGR. Considering the company's strong dominance in Maharashtra and setting up of integrated steel plants, we expect margins to increase. Also, the company is setting up a slurry pipeline, which is expected to further drive the EBITDA margin.

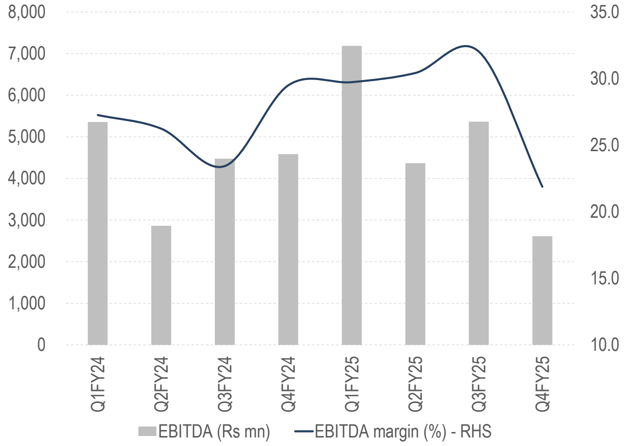
Mined minerals needs to be transported to actual site of consumption/sale/port. Slurry pipeline transportation is an eco-friendly alternative to transport higher gravitational material such as iron ore over a long distance. Operationally using slurry pipeline has multiple advantages such as low per tonne capital cost compared to other modes of transportation over a longer tenure, fewer personnel requirement, reduction in dust/air/noise pollution, faster transportation through difficult terrain/topography and climatic conditions, reduction in unit cost to transport is directly linked to increase in volumes, etc. Few international projects/case studies have estimated emission reduction of ~930k tonnes of CO_2 p.a. for ~35-38m tonnes ~235km pipeline.

Fig 15 – Integrated steel facility to drive performance



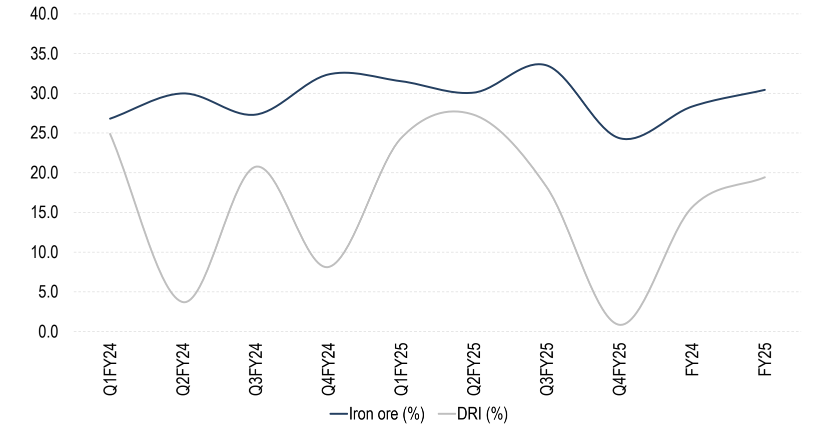
Source: Company, Anand Rathi Research

Fig 16 – Quarterly EBITDA and EBITDA margin (%)



Source: Company, Anand Rathi Research

Fig 17 – Segmental margins (%); DRI margins were impacted in Q4FY25 due to one-time expense (CSR)



Source: Company, Anand Rathi Research

Valuation

The company is the only iron ore miner in Maharashtra and boost one of the highest-grade ores in the country. Post receipt of enhanced EC, the fully mechanized open-cast Surjagarh iron ore mine will also be one of the largest in India. A part would be for captive consumption, while the rest would be sold externally via the merchant route. The company is also setting up integrated steel plants which would enhance its presence across the steel value chain and aid higher realizations and margins.

The EC which was expected to be received in Q4FY25 has been delayed which capped the volumes for FY25. The same is expected to be received by end of May'25. All the capex are progressing as per timeline and are expected to come on stream between Jun'25-Sep'29 which will catapult the company as one of the largest integrated steel manufacturers in western India. The strategic acquisition of MDO business is expected to drive synergies and further solidify co-promoters' strategic partnership/alliance. This acquisition will give the company access to ~71m tonnes of mineral portfolio, >7,000 workforce and >1,650 HEMM equipment. The management has planned multiple cost saving initiatives with potential savings of >$2.4b over next decade. We retain our Buy rating with a TP of Rs.1,570, FY27e (a sum-of-parts valuation)

Fig 18 – Change in estimates

	Revised		Old		% change	
(Rs m)	FY26e	FY27e	FY26e	FY27e	FY26e	FY27e
Revenue	1,54,292	1,91,171	1,49,073	1,86,749	3.5	2.4
EBITDA	62,117	79,706	60,968	77,814	1.9	2.4
APAT	45,301	60,427	45,043	60,262	0.6	0.3

Source: Anand Rathi Research

Fig 19 – TP calculation

Y/E March	UoM	FY27e
Core operations		
EBITDA	Rs mn	79,706
EV/EBITDA multiple	X	8.0
EV	Rs mn	6,37,650
IPS benefit		
EBITDA	Rs mn	5,217
EV/EBITDA multiple	X	5.0
EV	Rs mn	26,085
Total EV (core + IPS)	Rs mn	6,63,735
+C-WiP @ 75%	Rs mn	68,957
- Net debt	Rs mn	12,693
Equity Value (A)	**Rs mn**	**7,19,999**
MDO business		
EBITDA	Rs mn	34,460
EV/EBITDA multiple	X	6.5
MDO EV	Rs mn	2,23,990
- Net debt	Rs mn	27,950
Equity value	Rs mn	1,96,040
Stake in the MDO business	%	79.8
Equity value to LMEL (b)	Rs mn	1,56,479
Total entity value (a+b)	**Rs mn**	**8,76,479**
No. of shares	Nos. in mn	560
Value per share	Rs/share	1,570

Source: Anand Rathi Research *Rounded off to nearest 10's*

Appendix

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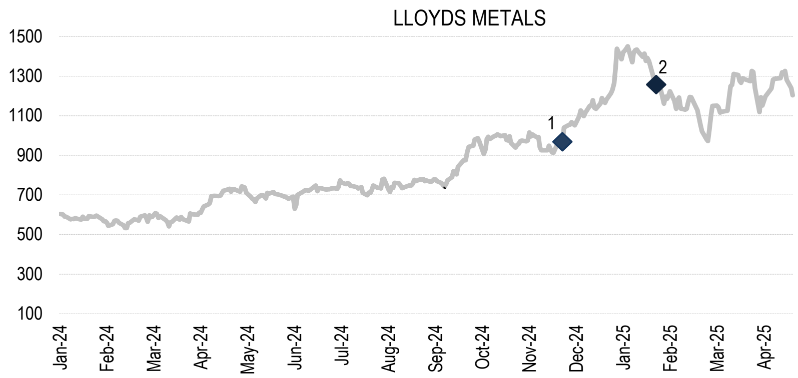

	Date	Rating	TP (Rs)	Share Price (Rs)
1	28-Nov-24	**Buy**	1,260	970
2	29-Jan-25	**Buy**	1,570	1,262

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