

NMDC LIMITED

Steady FY25, Stronger FY26 & beyond forecast

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Muted Q4FY25 amid cost pressures; FY26 guidance confident with sales and realization growth

NMDC Ltd's consol Revenue/EBITDA/PAT stood at ₹70 bn/₹20.5 bn/₹14.8 bn (+7.9%/-2.4%/+4.8%), which was subdued as iron ore production remained flat during the quarter at 13.3 mt in Q4FY25. Revenue growth of 7.9% was mainly driven by a whopping 967% increase in revenues from pellets and HR coils (trading), whereas iron ore sales were down 1.2% YoY to ₹63.5 bn in Q4FY25. Pellet sales came in at ₹4.5 bn, and HR coil sales were at ₹1 bn in Q4FY25. During the quarter, iron ore realization stood at ₹5,007/t, down 7% YoY. In FY25, blended realization came in at ₹5,133/t, up 9.6% YoY. Iron ore production in Q4FY25/FY25 came in at 13.3 mt/44.1 mt, down 6%/2% YoY, respectively, due to a loss of 43–44 days of production caused by strikes, while sales stood at 12.7 mt/44.4 mt, up 1%/flat YoY in Q4FY25/FY25, respectively. According to management, if the strike issue hadn't occurred, they would have notionally clocked the 50 mt mark during the year. April'25 (provisional) volumes were strong at 3.6 mt (up 2.8% YoY), and the company plans to operationalize two new coal and iron ore blocks in JV with Chhattisgarh Mineral Development Corporation.

NMDC's EBITDA came in at ₹20.5bn (-2.4% YoY & -14% QoQ) missing estimates by 4.3%. EBITDA margins came in at 29.3% (310bps down YoY) vs 32.4% in the year-ago quarter the miss was largely due to higher operating cost (13% up YoY), higher employee expenses (17% up YoY) and higher other expenses (27% up YoY). Consol Blended EBITDA/t stood at ₹1,619/t (-3.6% YoY), Adjusted Profit after Tax (APAT) grew marginally by 4.8% YoY at ₹14.8b (4% below our estimate of ₹15.4bn), APAT was below estimates due to higher depreciation (+27% YoY vs 10% YoY est). APAT margin came in at 21.2% in Q4FY25 vs 22.3% in the year-ago quarter dropping 110 bps YoY & 770 bps on a QoQ basis. NMDC raised prices by ₹440/t in May 2025, which should boost realizations in 1QFY26. The company plans to produce DRI-grade pellets via a new agreement with Kudremukh Iron Ore, aiming for a USD 30–50/t premium over standard grades to support profitability.

In FY25 NMDC's sales volume stood at 44.4mt (flat YoY). Consol Revenue came in at ₹239 bn (+12.2% YoY), EBITDA was ₹81.5 bn (+11.7% YoY), and APAT stood at ₹65.4 bn (+17.3% YoY). EBITDA/tn stood at ₹1,834 (+12% YoY) in FY25. The Board declared a final dividend of ₹1/share (along with an interim dividend of ₹3.3/share) during FY25.

Key Financials	FY 23	FY 24	FY 25	FY 26E	FY 27E
Total Income (₹ Mn)	1,76,669	2,13,079	2,39,055	2,51,430	2,75,099
EBITDA	60,525	72,928	81,487	89,075	1,00,674
EBITDA margins (%)	34.3%	34.2%	34.1%	35.4%	36.6%
Reported PAT	56,025	55,751	65,420	72,682	81,319
Adj PAT	42,993	58,534	65,388	72,682	81,319
Reported PAT margins (%)	31.7%	26.2%	27.4%	28.9%	29.6%
Adj PAT margins (%)	24.3%	27.5%	27.4%	28.9%	29.6%
Adj EPS (₹)	4.9	6.7	7.4	8.3	9.2
P/E (x)	11.3	11.4	9.7	8.7	7.8
P/BV (x)	2.8	2.5	2.1	1.8	1.6
EV/EBITDA (x)	9.4	7.5	7.0	6.2	5.2
Adj ROE (%)	24.8%	21.7%	22.0%	20.9%	20.1%
Adj ROCE (%)	24.8%	23.9%	23.1%	22.2%	21.9%

*Adj PAT & margin refers excluding exceptional items

BUY

Current Market Price (₹)	72
12M Price Target (₹)	84
Potential Return (%)	17

Stock Data

Sector	:	Industrial Minerals
Face Value (₹)	:	1
Total MCap (₹ bn)	:	638
Free Float MCap (₹ bn)	:	250
52-Week High / Low (₹)	:	92 / 59
BSE Code / NSE Symbol	:	526371 / NMDC
Bloomberg	:	NMDC IN
Sensex / Nifty	:	81,633 / 24,834

Shareholding Pattern

(%)	Mar-25	Dec-24	Oct-24	Jun-24
GOI	60.79	60.79	60.79	60.79
FPIs	11.72	12.12	12.60	12.76
Insurance	7.61	7.40	7.51	7.56
MFs	7.42	6.90	6.28	6.41
Others	12.46	12.79	12.82	12.48

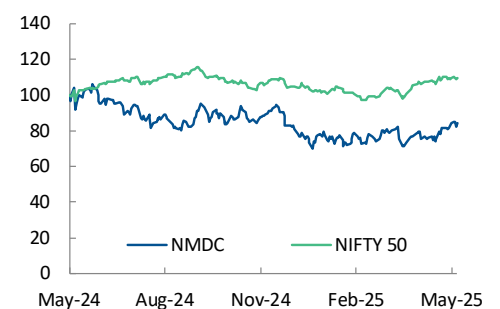
Source: BSE

Price Performance

(%)	1M	3M	6M	12M
NMDC	10.2	15.7	-5.7	-16.0
Nifty 50	2.0	12.2	2.9	9.4

* To date / current date : May 29, 2025

NMDC vs Nifty 50



Rising Dues from NMDC Steel and RINL set to ease going forward

NMDC's outstanding dues increased sharply by approximately ₹11.4 bn QoQ, reaching ₹78.4 bn, primarily due to a significant rise in receivables from NMDC Steel (₹37.9 bn, up ₹5.1 bn QoQ) and RINL (₹40.5 bn, up ₹6.2 bn QoQ) for iron ore supplies. This increase was contrary to expectations, as support from the Government of India (GoI) aimed at reviving RINL and NMDC Steel's collaboration with SAIL was anticipated to reduce receivables. However, management remains confident of resolving these dues, with liquidation of NMDC Steel receivables expected in the coming quarters. The NMDC Steel plant has turned cash-positive from April, which should further aid in clearing outstanding payments. Management projects a return to normalized receivable levels by end-FY26E.

Capex Plans: FY26 Outlay at ₹40 bn; Long-term expansion on track

Management has guided for a capex outlay of ₹40 bn for FY26 (compared to ₹37 bn in FY25), with a primary focus on long-term capacity expansion. The company's total planned long-term capex stands at ₹700 bn, aimed at scaling capacity to 100 mtpa by FY31. The company reported a healthy net cash balance of approximately ₹58 bn as of March 2025, and management expects to fund capex through internal accruals. In a positive development, RINL has begun repaying its outstanding dues to NMDC following a fresh equity infusion by the Government of India. Receivables from NMDC Steel are also expected to be fully cleared by the end of FY26, as the plant is projected to turn EBITDA-positive by the first half of FY26. We expect the company to sustain a healthy dividend yield of around 4% over FY26–27e. We expect NMDC to clock Revenue/EBITDA/PAT CAGR of 7%/11%/12% over FY25–27E. At CMP, the stock is trading at 6.2x/5.2x EV of FY26E/FY27E EBITDA. We maintain our 'BUY' rating with a TP of ₹84 valuing at 6.2x EV/EBITDA of FY27E.

Key Highlights from the management commentary

- **Sales and Operational Outlook:** Targets sales volume of 55.4 mt in FY26, with the screening plant operating at over 100% capacity utilization. Two coal blocks (including Rohne) and two iron ore JV blocks are expected to start operations in FY26.
- **Overseas and Domestic Expansion:** Opened a Dubai office to support African operations and evaluating overseas assets. Extended long-term lease with RINL, with 1,167 acres near Gangavaram Port supporting 100 mtpa capacity plans and 8 mtpa slurry pipeline development.
- **Capex and Investment Plans:** Capex of ₹37 bn incurred in FY25; targeting ₹40 bn in FY26. Cumulative investments of over ₹100 bn planned in the next two years, with ₹280 bn in sanctioned projects and ₹120 bn pending approval.
- **Project Execution and Infrastructure:** Only 20 km of the KK line remains, with Indian Railways targeting completion by Dec'25. The 2 mtpa pellet plant at Nagarnar is expected to be completed by end-CY25.
- **Legacy Operations and Financial Stability:** Legacy operations stabilized in recent months, expected to be profitable in FY26. KIOCL pellet volumes expected to rise from 0.5 mt in FY25 to 2.5–3 mt in FY26.

Quarterly Consolidated

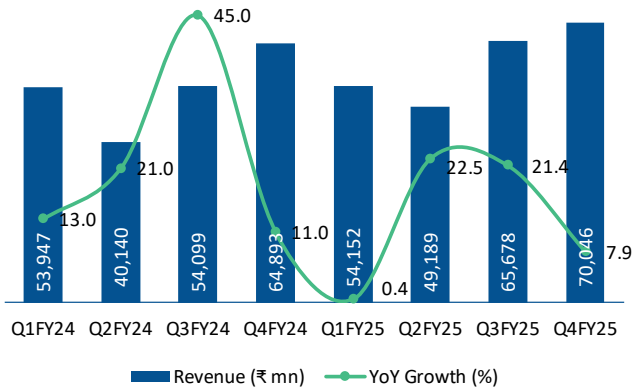
(₹ mn)	Q4FY25	Q3FY25	QoQ	Q4FY24	YoY
Iron ore production (mt)	13	13	0.1%	13	-0.1%
Iron ore sales (mt)	13	12	6.1%	13	1.3%
Average Net Sales Realization (₹/tn)	5,007	5,359	-6.6%	5,187	-3.5%
Sales	70,046	65,678	6.6%	64,893	7.9%
Changes in Inventory	-85.4	-3,408	-97.5%	-3,807	-97.8%
Raw Material	2,907	3,061	-5.0%	2,846	2.1%
Employee Cost	5,473	4,399	24.4%	4,695	16.6%
Royalty & Cess	29,040	30,319	-4.2%	30,690	-5.4%
Other expenses	12,200	7,587	60.8%	9,452	29.1%
Total Operating expenses	49,535	41,958	18.1%	43,876	12.9%
EBITDA	20,511	23,720	-13.5%	21,017	-2.4%
EBITDA Margin (%)	29%	36%	-70 bps	32%	-30 bps
Depreciation	1,409	1,027	37.2%	1,106	27.3%
EBIT	19,102	22,693	-15.8%	19,911	-4.1%
Other Income	4,926	3,751	31.3%	4,191	17.5%
Interest	649	606	7.2%	214	203.4%
Exceptional items*	-	-	0.0%	-299	-100.0%
Adj Profit Before Tax (Inc exc items)	23,379	25,839	-9.5%	23,589	-0.9%
Tax (includes earlier year tax)	8,545	6,869	24.4%	9,430	-9.4%
Tax rate (%)	37%	27%	10 bps	39%	-30 bps
Profit after tax (Reported)	14,834	18,970	-21.8%	14,159	4.8%
PAT Margin (%)	21%	29%	-80 bps	22%	-10 bps
APAT (post MI & NCI)	14,777	18,820	-21.5%	14,129	4.6%
APAT Margin (%)	21%	29%	-80 bps	22%	-10 bps
EPS (₹)	1.7	2.2	-21.8%	1.6	4.8%

Source: Company, LKP Research

Valuations & View

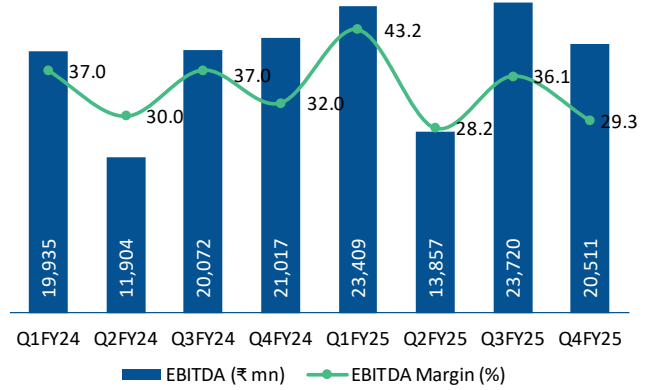
On the back of NMDC's strong operational capacity, aggressive expansion plans, robust net cash position and continued strong tailwinds for domestic steel demand we expect NMDC to clock Revenue/EBITDA/PAT CAGR of 7%/11%/12% over FY25-27E. At CMP, the stock is trading at 6.2x/5.2x EV of FY26E/FY27E EBITDA. We maintain our 'BUY' rating with a TP of ₹84 valuing at 6.2x EV/EBITDA of FY27E.

Revenues grew by 8% YoY despite price cuts supported by pellets and coils



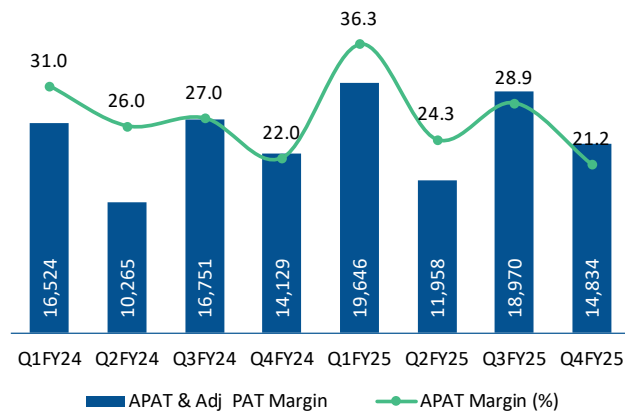
Source: Company, LKP Research

Operating profits missed estimates amid high operational costs



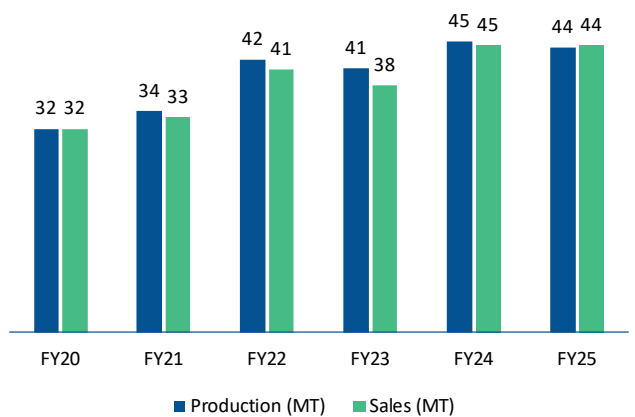
Source: Company, LKP Research

PAT impacted amid lower realization & high depreciation



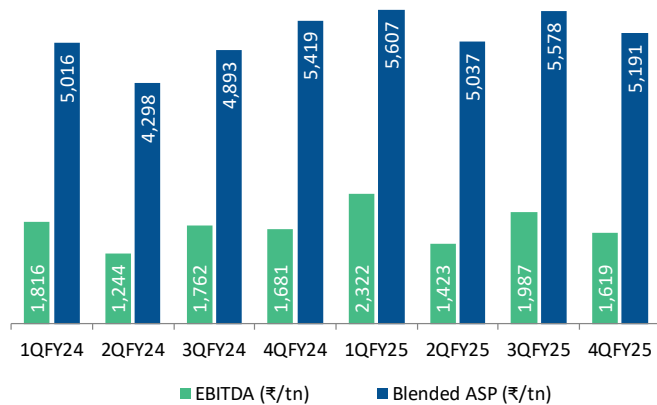
Source: Company, LKP Research

Approx 6mt production lost in FY25; Mgmt confident to make up in FY26



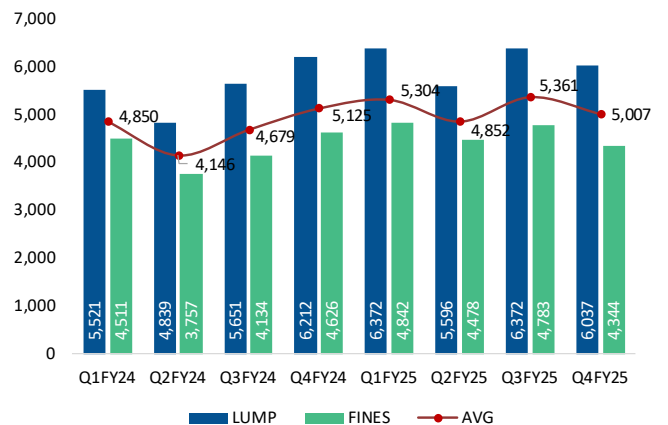
Source: Company, LKP Research

Quarterly EBITDA & Blended ASP



Source: Company, LKP Research

Average Domestic Price of Iron Ore (Overall)



Source: Company, LKP Research

Income Statement

(₹ mn)	FY 24	FY 25	FY 26E	FY 27E
Revenue	2,13,079	2,39,055	2,51,430	2,75,099
Raw Material Cost	97,945	1,07,388	1,12,195	1,20,918
Other Exp	42,206	50,180	50,160	53,507
EBITDA	72,928	81,487	89,075	1,00,674
EBITDA Margin(%)	34.2%	34.1%	35.4%	36.6%
Depreciation	3,507	4,204	4,453	6,073
EBIT	69,422	77,283	84,622	94,601
EBIT Margin(%)	32.6%	32.3%	33.7%	34.4%
Other Income	13,709	15,933	13,829	15,130
Interest	782	1777	1541	1306
Exceptional items	-2822	0	0	0
Adj Profit Before Tax	82,348	91,439	96,909	1,08,426
Adj PBT Margin(%)	38.6%	38.3%	38.5%	39.4%
Reported PBT	79527	91439	96909	108426
Tax	23,804	26,041	24,227	27,106
Adj PAT (before MI & Sh.of Associates)	58,544	65,398	72,682	81,319
Reported PAT (after MI & Sh.of Associates)	55,677	65,210	72,682	81,319
Adj PAT Margin (%)	27%	27%	29%	30%
Rep PAT Margins (%)	26%	27%	29%	30%

Key Ratios

YE Mar	FY 24	FY 25	FY 26E	FY 27E
Per Share Data (₹)				
Adj. EPS	6.3	7.4	8.3	9.2
BVPS	29.2	33.8	39.6	46.1
Growth Ratios(%)				
Revenue	20.6%	12.2%	5.2%	9.4%
EBITDA	20.5%	11.7%	9.3%	13.0%
PAT	-0.5%	17.3%	11.1%	11.9%
Valuation Ratios (X)				
PE	11.4	9.7	8.7	7.8
EV/EBITDA	7.5	7.0	6.2	5.2
Operating Ratios (Days)				
Receivable Days	59.3	116.6	80.0	58.0
Payables day	52.4	31.2	35.0	35.0
Performance Ratios (%)				
AROE (%)	21.7%	22.0%	20.9%	20.1%
AROCE (%)	23.9%	23.1%	22.2%	21.9%

Balance Sheet

(₹ mn)	FY 24	FY 25	FY 26E	FY 27E
Equity and Liabilities				
Equity Share Capital	2,931	8,792	8,792	8,792
Reserves & Surplus	2,53,798	2,88,280	3,39,157	3,96,081
Total Networth	2,56,729	2,97,072	3,47,949	4,04,873
Other Non-Current liabilities	15,833	16,313	10,285	14,591
Total non-current liab	15,833	16,313	10,285	14,591
Current Liabilities				
Short term Borrowings	33,565	37,705	32,705	27,705
Trade Payables	4,126	3,215	3,134	3,171
Other current liabilities	44,022	53,249	48,474	61,234
Total current liab and provs	81,713	94,168	84,313	92,109
Total Equity & Liabilities	3,54,275	4,07,553	4,42,547	5,11,573
Assets				
Gross block	41,440	47,209	74,209	1,01,209
Depreciation	16,661	20,866	25,318	31,391
Net block	24,779	26,344	48,891	69,818
Capital WIP	32,305	47,375	60,400	73,835
Total Fixed Assets	57,084	73,718	1,09,291	1,43,653
Investments	9,512	9,745	10,438	12,146
Other Non current Assets	77,212	92,838	77,627	91,350
Total Non-Current Assets	1,43,808	1,76,302	1,97,356	2,47,149
Cash & Bank Balances	1,23,637	1,00,886	1,19,341	1,41,935
Other current assets	86,821	1,30,356	1,25,841	1,22,479
Total current Assets	2,10,457	2,31,242	2,45,182	2,64,415
Assets held for sale	10	9	9	9
Total Assets	3,54,275	4,07,553	4,42,547	5,11,573

Cash Flow

(₹ mn)	FY 24	FY 25	FY 26E	FY 27E
PBT	79,527	91,439	96,909	1,08,426
Adjustments	-6,023	-5,098	5,994	7,378
Operating CF before WC changes	73,504	86,341	1,02,903	1,15,804
Changes in working capital	-23,074	-36,146	18,567	-42,707
Tax paid	-18,110	-24,679	-24,227	-27,106
Cash flow from operations (a)	73,948	18,943	88,926	97,565
Capital expenditure	-18,471	-32,303	-41,432	-42,562
Other investing activities	-42,293	35,360	-693	-1,708
Cash flow from investing (b)	-60,764	3,057	-42,125	-44,270
Free cash flow (a+b)	13,184	22,000	46,801	53,296
Dividends Paid	-25,209	-24,598	-21,805	-24,396
Other financing activities	12,189	2,353	-6,541	-6,306
Cash flow from financing (c)	-13,020	-22,246	-28,346	-30,701
Net chng in cash (a+b+c)	164	-246	18,456	22,594
Closing cash & cash equivalents	1,094	848	19,304	41,898
Other Bank Balance	1,23,637	1,00,886	1,00,037	1,00,037
Closing Cash & Bank Balance	1,24,730	1,01,734	1,19,341	1,41,935

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