



KEY HIGHLIGHTS

1. RESULTS OVERVIEW:

- NMDC Q1FY25 consolidated revenues came in at ₹5414 Cr, up 0.36% YoY and down -16.57% QoQ.
- Op Profit for Q1FY25 stood at ₹2340 Cr, up 17.35% YoY and up 11.32% QoQ.
- Op margins for Q1FY25 came at 43.2%, +626 bps YoY and +1083 bps QoQ.
- PAT for Q1FY25 stood at ₹1969 Cr, up 19.12% YoY and up 39.65% QoQ.

2. MANAGEMENT COMMENTARY:

- Challenges in dispatches due to ongoing electrification in work, expected to resolve by mid of the next month.
- Capex for FY25 is projected at ₹2,200 crores, with ₹384 crores spent in the first quarter.
- The management is optimistic about future performance and recovery from liabilities, citing a stable customer base and solid operational metrics.

3. CONCALL SUMMARY

- PBT and PAT increased by 19% and 20%, respectively, despite a production decline of 4%.
- A liability of around ₹21 crores imposed on the company related to the Madhya Pradesh Rural Infrastructure and Road Development Act.
- NMDC Steel Ltd. has produced over 1.5 million tons of hot metal in its first year, achieving a significant milestones.
- The royalty amount as a percentage of gross revenue decreased from 47% to 37% due to reduced production.
- Capex for FY 2024-25 is projected at ₹2,200 crores, with ₹384 crores spent in the first quarter.
- Slurry pipeline: 73 kilometers laid, with completion expected post-monsoon.

4. Recent DEVELOPMENTS:

- The Supreme Court has decided that its ruling on the power of states to impose taxes on mining rights, beyond the royalty payments, will be applied retroactively. This will significantly affect metal and mining companies by making their financial obligations in this area more predictable.
- However, the Supreme Court has also clarified that no penalty or interest will be applicable on these amounts.

5. VALUATION AND OUTLOOK:

- NMDC is strategically doubling its Iron ore capacity from 50 MTPA to 100 MTPA. In line with the Indian steel companies doubling their capacity FY30. It has already started gold mining in Australia and looking to increase the area mined in future. NMDC is also exploring lithium and iron ore mining possibilities in Australia.
- The company is on a high growth trajectory and commodity prices are at historical lows. With interest rate cycle peaking globally, commodity prices may see a substantial uptick in coming quarters and years, affecting NMDC's realizations positively.
- The company is trading above its historical valuations, however its industry leadership position, expected growth, strong cash generation, lean balance sheet, and limited downside for commodity prices will help in sustaining valuations.
- We value NMDC at 9.50 times its FY26 EPS of 28.01 to arrive at a Target price of 266 indicating a 19% upside from the CMP of 223.

RECOMMENDATION - BUY

CMP – 223

TARGET – 266 (19%)

Industry	Mining
NSE CODE	NMDC
BSE CODE	526371
Market Cap (₹ Cr)	65,630.92
Shares Outstanding (in Cr)	293.06
52 wk High/Low (₹)	286.35 / 120.95
P/E	10.8
P/BV	2.57
Face Value (₹)	1.00
Book Value (₹)	94.24
EPS (FY24) (₹)	19.02
Dividend Yield (%)	2.56
Debt / Equity	0.13
Interest Coverage	91.70

SHAREHOLDING PATTERN

	Dec 23	Mar 24	June 24
Promoters	60.79%	60.79%	60.79%
MF/ DII	17.33%	14.09%	14.31%
FII/FPI	9.91%	12.60%	12.76%
Retail & Others	11.96%	12.51%	12.12%
Promoter Pledging	0%	0%	0%

FINANCIAL SNAPSHOT (₹ Cr)

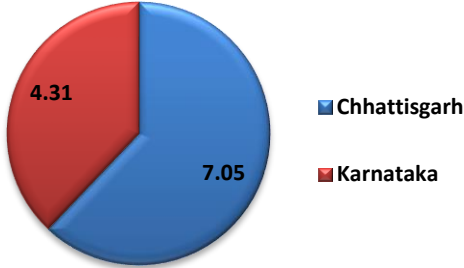
Y/E March	2024A	2025E	2026E
Core			
Sales	21,308	26,000	27,800
Sales Gr. (%)	20.61%	22.02%	6.92%
EBITDA	7,293	9,620	10,842
EBITDA %	34.23%	37.00%	39.00%
PAT	5,571	7,333	8,208
EPS (₹)	19.02	25.03	28.01
EPS Gr. (%)	-0.52%	31.58%	11.93%
Ratios			
RoE (%)	24%	26%	24%
RoCE (%)	32%	32%	30%
Valuation			
P/E (x)	10.8	8.91	7.96

Historical & Industrial Val Ratios

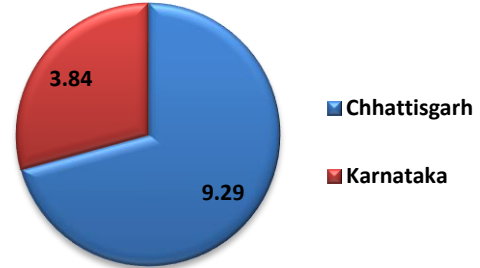
Historical P/E	6.6
Industry P/E	21.5
Historical P/B	1.3
Industry P/B	3.6

Volume SPLIT (Q1 FY25)

Production Volume (MT) Up to July 2024



Sales Volumes (MT) Up to July 2024



QUARTERLY PERFORMANCE (CONSOLIDATED)

(₹ Cr)

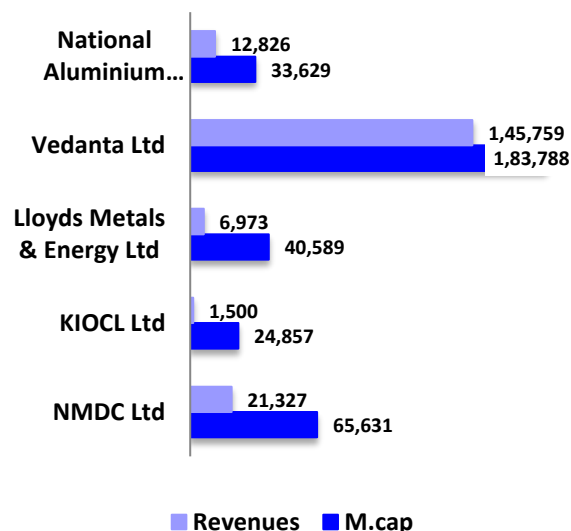
Y/E March	FY23		FY24		FY25			FY24	FY25E*	
	Q3	Q4	Q1	Q2	Q3	Q4	Q1			
Net sales	3,720	5,851	5,395	4,014	5,410	6,489	5,414	5200	21,308	26,000
YoY change (%)	-36.67%	-13.76%	13.17%	20.60%	45.43%	10.90%	0.36%	29.55%	20.61%	22.02%
Total Expenditures	2,579	3,689	3,401	2,824	3,403	4,388	3,074	3380	14,015	16,380
EBITDA	1,141	2,162	1,994	1,190	2,007	2,102	2,340	1820	7,293	9,620
Margins (%)	31%	37%	37%	30%	37%	32%	43%	35%	34.23%	37.00%
Other income	205	1,228	294	321	84	389	365	275	1088	1350
Interest	30	12	6	19	32	21	23	23	78	95
Depreciation	84	93	69	89	82	111	74	95	351	400
PBT	1,232	3,285	2,212	1,404	1,977	2,359	2,608	1977	7,952	10,475
Rate (%)	27%	31%	25%	27%	26%	40%	25%	30%	29.94%	30.00%
Adjusted PAT	914	2,272	1,653	1,026	1,482	1,410	1,969	1384	5,571	7,333
EPS in Rs	3.12	7.75	5.64	3.50	5.06	4.81	6.72	4.72	19.02	25.03

Source: Company, Hem Securities Research.

INDUSTRY OVERVIEW

- The Indian iron ore mining industry is a key player in the steel market, as iron ore is a crucial raw material for steel production. India ranks fourth in global iron ore production, following Australia, Brazil, and China.
- India's iron ore production is primarily concentrated in Odisha, Karnataka, Chhattisgarh, and Jharkhand, with Odisha being the largest producer.
- Hematite, which contains up to 68% iron, is the most common and preferred ore in India due to its high iron content and low impurities. Magnetite, with up to 72% iron content, is less frequently used due to its higher impurity levels and complex processing requirements.
- Most of India's iron ore is consumed domestically by the steel industry, with demand rising due to infrastructure development and industrialization.
- The industry faces regulatory hurdles, environmental concerns, and infrastructure bottlenecks. Regulatory complexities and frequent policy changes can delay project approvals, while environmental impacts and inadequate transportation infrastructure pose additional challenges.
- Technological advancements, rising steel demand, and new exploration policies offer growth opportunities. Improved technologies can enhance efficiency and reduce environmental impact, while increasing steel consumption and supportive policies may attract more investment.
- The Indian iron ore mining industry is set to grow, driven by domestic demand and favorable policies

KEY PLAYERS in Metals & Mining



PEER PERFORMANCE

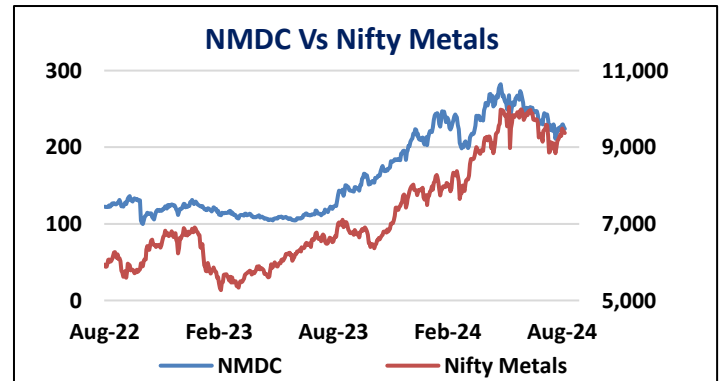
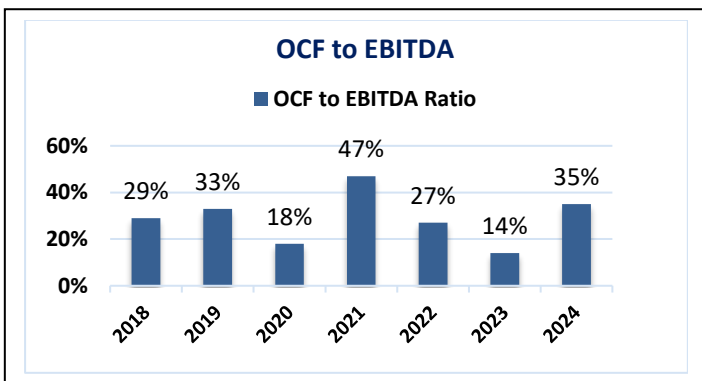
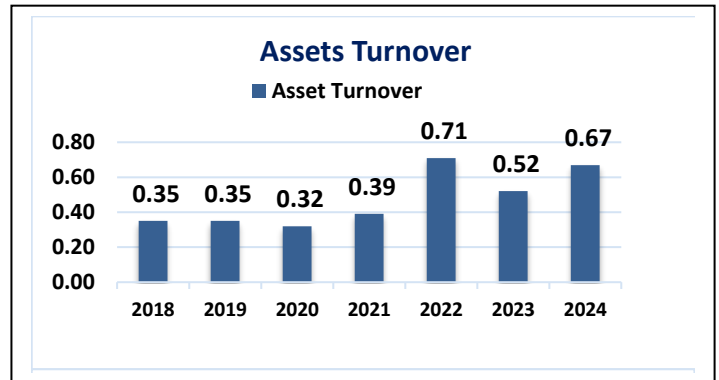
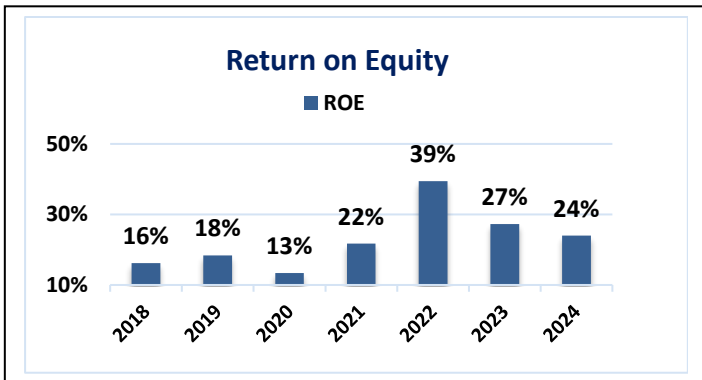
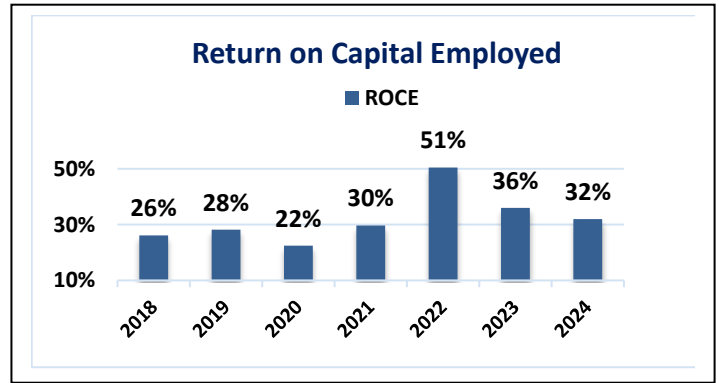
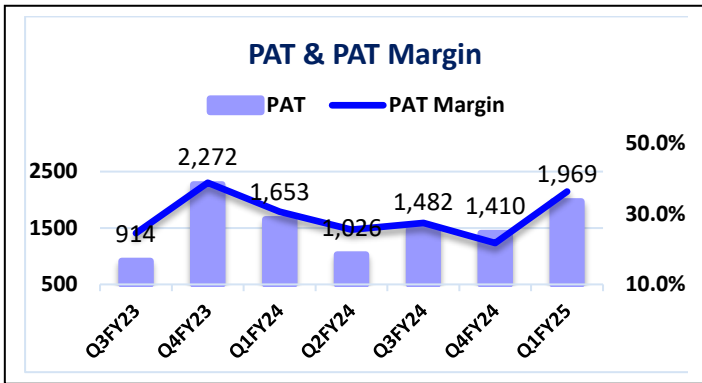
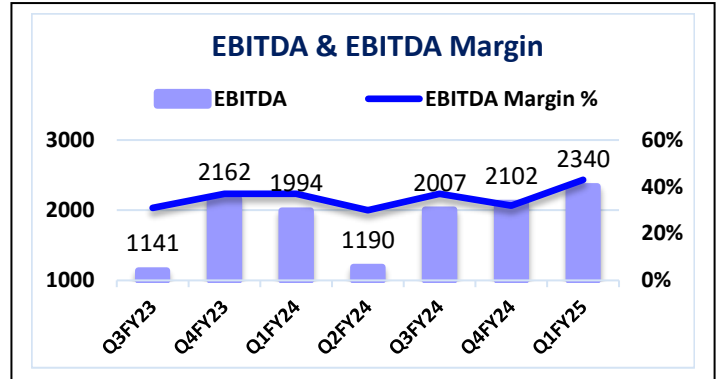
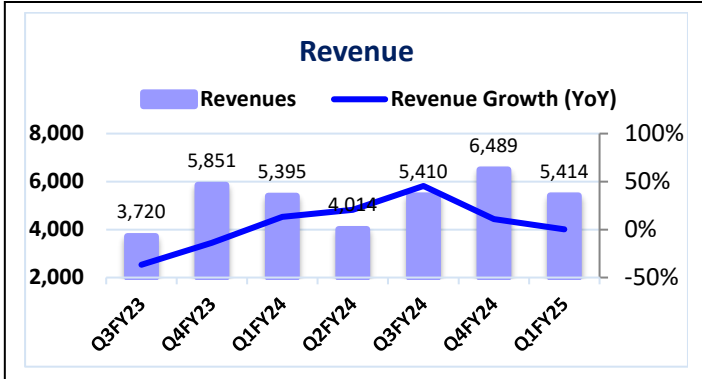
(₹ Cr)

Particulars	NMDC	KIOCL	Lloyds Metals	Nalco	Vedanta
Market Cap	65601.54	25033.25	40408.86	33592	183651.39
Net Sales	21327.38	1500.28	6973.37	12826.15	145759
EBITDA	7639.21	-57.56	1911.11	3212.03	38723
PAT	6093.05	-75.99	1397.37	1995.19	6278.73
EPS(₹)	20.11	-1.25	27.66	12.59	14
EBITDA MARGIN %	35.82	-3.84	27.41	25.04	26.57
PAT MARGIN %	27.08	-4.49	18.84	13.4	4.55
ROCE %	31.92	-2.13	78.27	16.95	20.91
ROE %	23.9	-4.25	56.64	12.67	10.49
P/E TTM	10.77	NA	28.93	16.83	29.25
P/B TTM	2.58	13.04	13.9	2.31	5.7
EV/EBITDA	6.23	-2586.81	20.51	8.95	6.41
Dividend Yield %	2.55	0	0.13	1.62	6.22
M Cap/ Sales TTM	3.08	16.69	5.79	2.62	1.26

Source: Company, Hem Securities Research.



STORY IN CHARTS





INVESTMENT RATIONALE:

- NMDC is the largest producer of iron ore in India. It operates high-quality mines in key iron ore-rich states, such as Chhattisgarh and Karnataka, with an annual production capacity of about ~50 million tons.
- NMDC is planning to double its Iron ore capacity to 100 million tons by FY30. Indian steel manufacturers are also planning to double their capacity in the next few years.
- The company has started gold mining operations in Australia. It is planning to further increase land area for gold mining. NMDC is also doing explorations work for lithium and iron ore in Australia. Any success in these can significantly rerate company's valuations.
- We believe Iron ore prices are at cyclical bottom as they have corrected more than 50% from its June 2021 highs. With interest rate cycle near its peak, they are expected to come down in coming quarters, further supporting commodity prices.
- NMDC is currently trading at 6.20 times current EV/EBITDA which we believe is reasonable given its industry leadership position, aggressive expansion plans, and commodity pricing cycle at bottom.

RISK / NEGATIVE FACTORS:

- Indian steel companies are looking to backward integrate to iron ore mining to lower their margin fluctuations due to volatile commodity prices.
- Mining companies faces risk of regulatory changes and environment related issues.
- Any steep fall in iron ore prices may downgrade earnings.

COMPANY RECAP

- NMDC Limited, established in 1958, is India's largest iron ore producer and operates under the Ministry of Steel, Government of India. With a dominant position in the mining sector, NMDC focuses on the production, exploration, and development of iron ore, supplying a significant portion of the raw material needed by India's steel industry.
- Its major operations are concentrated in Chhattisgarh and Karnataka, where it runs some of the country's most efficient and high-grade iron ore mines.
- NMDC is increasing its iron ore capacity from 50 MMTPA currently to 100 MMTPA going forward. It is also foraying into gold and lithium mining along with steel production to lower its dependency on iron ore.

ANNUAL PERFORMANCE

Financials & Valuations

Income Statement							(₹ Cr)
Y/E March	2020	2021	2022	2023	2024	2025E	2026E
Revenue from operations	11,699	15,370	25,965	17,667	21,308	26,000	27,800
Growth YoY (%)	-3.73%	31.38%	68.93%	-31.96%	20.61%	22.02%	6.92%
Total Expenditure	5,697	6,580	13,338	11,613	14,015	16,380	16,958
(%) of sales	48.70%	42.81%	51.37%	65.73%	65.77%	63.00%	61.00%
EBITDA	6,002	8,790	12,626	6,054	7,293	9,620	10,842
EBITDA Growth (%)	-13.33%	46.45%	43.64%	-52.05%	20.47%	31.91%	12.70%
EBITDA Margin (%)	51.30%	57.19%	48.63%	34.27%	34.23%	37.00%	39.00%
Depreciation	295	229	288	336	351	400	420
EBIT	5,707	8,561	12,338	5,718	6,942	9,220	10,422
EBIT Growth (%)	-14.13%	50.01%	44.12%	-53.66%	21.41%	32.81%	13.04%
Net Interest Expenses	10	17	39	75	78	95	97
Other Income	417	351	716	2004	1088	1350	1400
Earnings before Taxes	6,114	8,896	13,016	7,646	7,952	10,475	11,725
EBT Margin (%)	52.26%	57.88%	50.13%	43.28%	37.32%	40.29%	42.18%
Tax-Total	2,541	2,619	3,587	2,045	2,381	3,143	3,518
Rate of tax (%)	41.56%	29.44%	27.56%	26.75%	29.94%	30.00%	30.00%
Net Profit	3,573	6,277	9,429	5,601	5,571	7,333	8,208
PAT Growth (%)	-22.61%	75.68%	50.22%	-40.60%	-0.54%	31.62%	11.93%
PAT Margin (%)	30.54%	40.84%	36.31%	31.70%	26.15%	28.20%	29.52%
Minority Interest	0	0	0	0	0	0	0
Adjusted PAT	3,573	6,277	9,429	5,601	5,571	7,333	8,208
EPS	11.67	21.42	32.17	19.12	19.02	25.03	28.01
EPS Growth (%)	-22.61%	83.55%	50.19%	-40.57%	-0.52%	31.58%	11.93%

Balance Sheet

Y/E March	2020	2021	2022	2023	2024
Equity Capital	306	293	293	293	293
Reserves	27,367	29,591	17,725	22,328	25,363
Preference Capital	0	0	0	0	0
Borrowings	566	2,000	1,800	423	3,359
Other Liabilities	3,056	5,045	5,094	5,204	6,646
Total Liabilities & Equity	31,294	36,930	24,912	28,248	35,661
Fixed Assets	3,810	3,933	3,662	3,199	3,381
CWIP	15,530	17,158	1,333	1,998	3,231
Investments	910	875	895	935	956
Other Assets	11,045	14,964	19,022	22,116	28,094
Total Assets	31,294	36,930	24,912	28,248	35,661

Source: Company, Hem Securities Research.



Ratios					
Y/E March (Basic (INR))	2020	2021	2022	2023	2024
Profitability and return ratios					
Net profit margin (%)	30.79	40.64	36.36	31.35	26.15
EBITDA margin (%)	55.7	59.47	51.39	38.61	34.23
EBIT margin (%)	52.35	57.99	50.28	43.71	32.58
ROE (%)	13.41	21.71	39.42	27.26	24.00
ROCE (%)	22.42	29.65	50.51	36.04	32.00
Working Capital & liquidity ratios					
Inventory (Days)	21.68	19.54	21.42	49.44	47.40
Receivables (Days)	56.91	51.81	35.81	57.95	59.68
Current Ratio (x)	1.46	1.54	1.75	1.93	2.56
Valuations Ratios					
EV/sales (x)	1.93	2.33	1.6	1.47	2.65
EV/EBITDA (x)	3.47	3.91	3.11	3.82	6.23
P/E (x)	6.29	6.12	4.9	5.57	10.80
P/BV (x)	0.89	1.33	2.64	1.45	2.60
Dividend Yield (%)	6.61	5.74	9.07	5.91	2.53
Leverage Ratio					
Debt/Equity (x)	0.02	0.07	0.10	0.02	0.13

Cash Flow Statement					
Y/E March	2020	2021	2022	2023	2024
CF from Operating activities (A)	2,126	7,266	6,942	2,466	7,395
CF from Investing Activities (B)	-313	-4,316	-3,214	43	-6,076
CF from Financing Activities (C)	-1,753	-2,591	-4,067	-2,536	-1,302
Net Cash Flow	60	359	-339	-28	16
Add: Opening Bal.	4619	2437	5862	7977	7098
Closing Balance	2437	5862	7977	7098	12364

Source: Company, Hem Securities Research.



RATING CRITERIA

INVESTMENT RATING	EXPECTED RETURN
BUY	>=15%
ACCUMULATE	5% to 15%
HOLD	0 to 5%
REDUCE	-5% to 0
SELL	<-5%

RECOMMENDATION SUMMARY

DATE	RATING	TARGET
30 August 2024	Buy	266

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Name of the Research Analyst: **Akshat Vijay**

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3.	Research Analyst or his/her relative or HSL has any other material conflict of interest at the time of publication of the Research Report	No
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