

Estimate changes

TP change

Rating change



Bloomberg	NMDC IN
Equity Shares (m)	2931
M.Cap.(INRb)/(USDb)	495 / 5.9
52-Week Range (INR)	178 / 104
1, 6, 12 Rel. Per (%)	3/51/52
12M Avg Val (INR M)	1379

Financials & Valuations (INR b)

Y/E MARCH	2023	2024E	2025E
Sales	177	206	232
Adj EBITDA	61	68	80
Adj. PAT	48	57	64
EBITDA Margin (%)	34	33	35
Cons. Adj. EPS (INR)	17	19	22
EPS Gr. (%)	-48	17	13
BV/Sh. (INR)	77	88	100

Ratios

Net D:E	-0.3	-0.3	-0.3
RoE (%)	23.8	23.4	23.3
RoCE (%)	28.5	29.4	29.4
Payout (%)	19.9	45.0	45.0

Valuations

P/E (x)	10.2	8.8	7.7
P/BV (x)	2.2	1.9	1.7
EV/EBITDA(x)	7.1	6.2	5.2
Div. Yield (%)	3.9	5.1	5.8

Shareholding pattern (%)

As On	Sep-23	Jun-23	Sep-22
Promoter	60.8	60.8	60.8
DII	17.7	18.0	21.0
FII	8.3	7.0	6.0
Others	13.2	14.2	12.3

FII Includes depository receipts

CMP: INR169

TP: INR190 (+12%)

Buy

Performance in line; capacity enhancement capex to support volumes ahead

On track to exceed 50mt production in FY25

- Revenue grew 20% YoY to INR40.1b in 2QFY24, in line with our estimate of INR40.7b. NMDC recorded the highest-ever 2Q production at 8.9mt (up 25% YoY) and the highest-ever 2Q sales volume at 9.6mt (up 14% YoY). Blended ASP stood at INR4,194/t, up 6% YoY and in line with our estimate of INR4,234/t.
- EBITDA grew 40% YoY to INR11.9b, in line with our estimate of INR12.4b. Higher volumes and increase in blended ASP led to improved EBITDA. Blended EBITDA/t stood at INR1,244/t, against our estimate of INR1,291/t.
- APAT grew 16% YoY at INR10.3b (in line with our estimate of INR10.4b). Other income declined YoY and adversely impacted APAT.
- As on date, NMDC has already clocked over 24mt of sales volume and is targeting sales of 47mt to 49 mt in FY24E. Production from Chhattisgarh mines was up 30% YoY at 5.5mt and production from Karnataka mines rose 17% YoY at 3.3mt. Sales from Chhattisgarh mines grew 17% YoY to 6.1mt and sales from Karnataka mines rose 8% YoY to 3.5mt.
- Prices (Incl. Royalty, DMF and NMET) for fines improved 11% YoY (down 17% QoQ) to INR3,757/t and prices for lumps was down 17% YoY and 12% QoQ to INR4,839/t.

Highlights from the management commentary

- NMDC has kept its FY24E target unchanged at 47-49mt and has slightly increased FY25E target to 51-53mt.
- The current EC for all the mines is around 51mt and additional EC at Kumaraswamy mine is expected to add another 3mt, which will take the total EC to over 54mt.
- NMDC is undertaking multiple evacuation and capacity enhancement capex aimed at supporting volumes. Over 70km of the 113km slurry pipeline and over 100km of the 'KK line' railway corridor have been completed. The remainder of the capex is on track for completion by the end of FY24.
- NMDC has enhanced its FY24E capex to INR18-20b from the previously envisaged INR16b (~INR10b incurred in 1HFY24).

Valuations attractive; volume outlook robust

- 2H is usually a strong period for volume pickups and heavy capex is expected to increase the evacuation capacity of NMDC, which will support the volume growth going forward.
- NMDC is on track to exceed 50mt of volumes in FY25. Considering the improved outlook on volumes, global iron ore prices, and strong demand, we have increased our revenue/EBITDA estimates by 11%/13% for FY25. NMDC trades at FY25E EV/EBITDA of 5.2x and FY25E P/B of 1.7x. We reiterate our BUY rating on NMDC with a revised TP of INR190.

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

Consolidated quarterly performance (INR b)

Y/E March	FY23				FY24E				FY23	FY24E	FY24E	vs Est
	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE			2QE	(%)
Iron ore Production (mt)	8.9	7.1	10.7	14.1	10.7	8.9	12.0	13.8	40.8	45.4		
Iron ore Sales (mt)	7.8	8.4	9.6	12.4	11.0	9.6	12.0	13.9	38.2	46.5		
Avg NSR (INR/t)	6,111	3,947	3,885	4,716	4,915	4,194	4,245	4,334	4,623	4,420	4,234	-0.9
Net Sales	47.7	33.3	37.2	58.5	53.9	40.1	51.1	60.4	176.7	205.6	40.7	-1.3
Change (YoY %)	-26.8	-51.0	-36.7	-12.7	13.2	20.6	37.4	3.2	-31.7	16.4		
Change (QoQ %)	-28.9	-30.2	11.8	57.3	-7.8	-25.6	27.3	18.2				
EBITDA	19.0	8.5	11.4	21.6	19.9	11.9	16.6	19.9	60.5	68.4	12.4	-4.0
Change (YoY %)	-54.5	-72.7	-56.3	-19.4	5.0	39.9	45.5	-7.8	-51.9	13.0		
Change (QoQ %)	-29.2	-55.2	34.0	89.6	-7.8	-40.3	39.4	20.1				
EBITDA per ton (INR/t)	2,434	1,009	1,191	1,743	1,816	1,244	1,379	1,430	1,584	1,470		
Interest	0.2	0.2	0.3	0.1	0.1	0.2	0.2	0.2	0.8	0.6		
Depreciation	0.8	0.7	0.8	0.9	0.7	0.9	0.9	1.0	3.4	3.5		
Other Income	1.5	4.3	2.0	-0.1	2.9	3.2	2.9	2.5	7.7	11.5		
PBT (before EO Item)	19.4	11.9	12.3	20.5	22.1	14.0	18.4	21.3	64.1	75.8		
Extra-ordinary item	0.0	0.0	0.0	12.4	0.0	0.0	0.0	0.0	12.4	0.0		
PBT (after EO Item)	19.4	11.9	12.3	32.9	22.1	14.0	18.4	21.3	76.5	75.8		
Total Tax	4.8	3.0	3.3	10.1	5.5	3.8	4.6	5.4	21.1	19.3		
% Tax	24.5	25.3	26.6	30.7	24.9	27.0	25.2	25.4	27.6	25.5		
Reported PAT	14.7	8.9	9.0	22.8	16.6	10.3	13.8	15.9	55.3	56.5		
Adjusted PAT	14.7	8.9	9.0	15.8	16.6	10.3	13.8	15.9	48.4	56.5	10.4	-1.0
Change (YoY %)	-54.0	-62.2	-55.9	-12.7	13.2	15.7	52.2	0.3	-48.5	16.7		
Change (QoQ %)	-19.1	-39.7	2.1	75.1	4.9	-38.3	34.2	15.4				

Source: MOFSL, Company



Highlights from the management commentary

Guidance

- NMDC has kept its FY24E target unchanged at 47-49mt and has slightly increased FY25E target to 51-53mt.
- The current EC for all the mines is around 51mt and additional EC at the Kumaraswamy mine is expected to add another 3mt, which will take the total EC to over 54mt.
- The 3mt additional EC at the Kumaraswamy mine will add ~2.3mt to the production volumes.
- NMDC expects strong volume pickup in 2HFY24.
- Top three customers viz. RINL, AM/NS, and JSTL contribute ~70% of the total volumes and NMDC is continuously exploring opportunities to reduce the dependency on limited number of customers.
- NMDC has also started supplying iron ore to NSLNISP (NMDC Steel).
- Minimum dividend payout by NMDC is 5% of the Networth or 30% of the reported PAT, whichever is higher.
- The contribution from lump sales stands at ~30% of the total sales mix, while fines contribute ~70%. The share of fines is expected to grow further in the coming quarters.

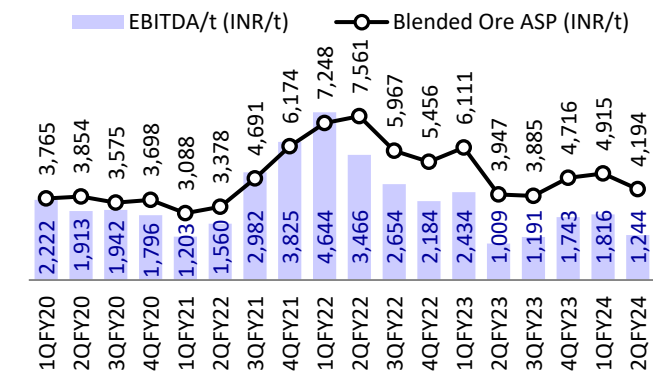
Capex

- NMDC has earmarked INR20b as capex for FY24E and intends to spend higher amount in FY25E (INR10b capex incurred in 1HFY24).
- NMDC is undertaking multiple capex projects aimed at enhancing its evacuation capacity. This strategic initiative is poised to support the company's volume growth prospects in the future.
- The 5th screening line at Bacheli is expected to add ~2mt to the total volumes and the management expects the same to be operational in Nov'23.
- NMDC is also awaiting final clearance for 2.3mt additional EC at Kumaraswamy, which will take the total EC from the current location to ~ 9.2mt.
- The RWLS at SP-III (Screening Plant-III) at Kirandul is expected to be operational by Mar'24, which is expected to add 2-3mt to the total capacity.
- Over 70kms out of the 113kms slurry pipeline has been completed and the order for the pending capex has been placed.
- Over 100kms of the 'KK line' railway corridor has been completed and Becheli-Kirandul patch is expected to be completed by Mar'24. This is expected to enhance the dispatches via rail network from 28mt to 40mt in a phased manner.
- NMDC has kept its 2mt pellet plant capex on hold and is contemplating to expand the same by 6mt. NMDC is also setting up a 6mt beneficiation plant, which is expected to come on stream by the end of FY25.
- NMDC has also earmarked INR10-11b for setting up 10mt SP at Donimalai and has already received three offers to develop the same. Tenders are expected to be opened in Dec '23.

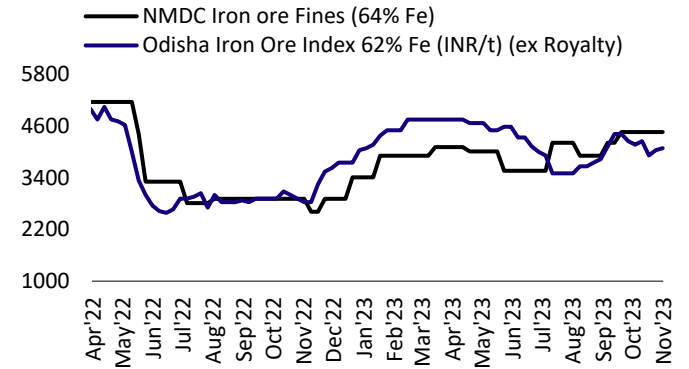
Export

- Net of taxes and duties at mine pit level, NMDC is able to realize higher ASP in the domestic market compared to export prices.
- The IBM notified prices for Karnataka mines are higher than the base price of NMDC which gives NMDC enough room for a price hike in the future.

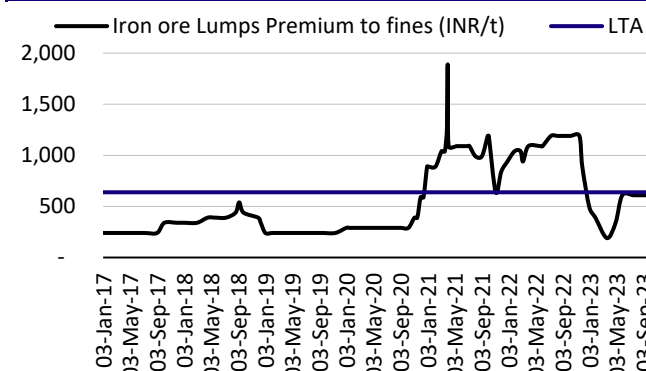
- If NMDC was to export, the logistics cost to Vizag works out to USD20/t.
- When compared to landed prices, NMDC prices usually are at a discount in the range of 40-45%.

Exhibit 1: EBITDA/t and ASP were down QoQ

Source: MOFSL, Company

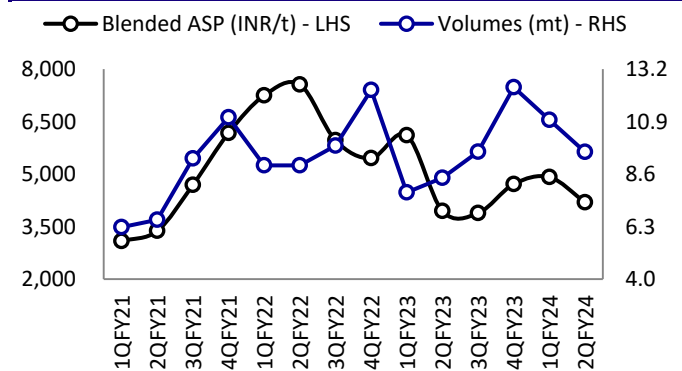
Exhibit 2: NMDC iron ore prices have linkages to Odisha Iron ore Fines

Source: MOFSL, SteelMint

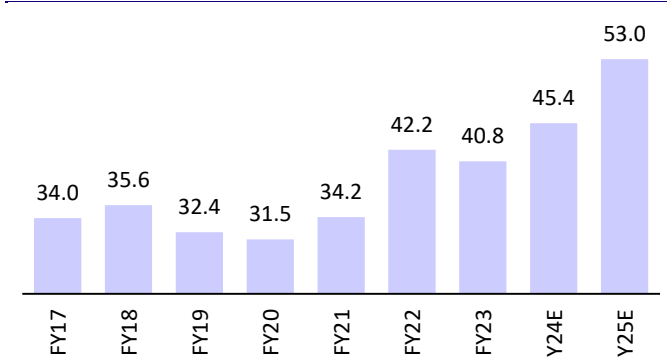
Exhibit 3: Premium for lumps has increased and is now near its LTA

Source: MOFSL, Company

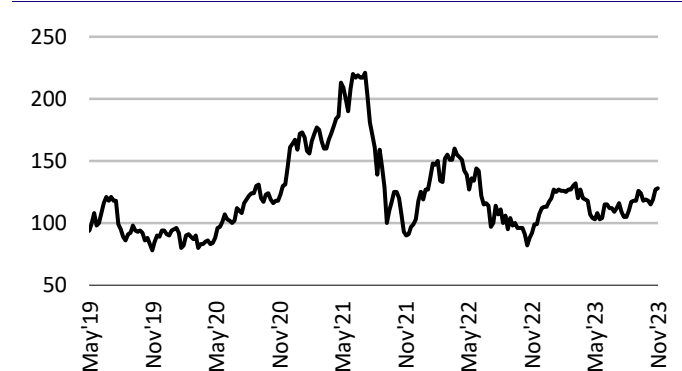
Note: The prices are adjusted to royalty, DMF and NMET

Exhibit 4: Sales volumes and blended ore ASP move in tandem

Source: MOFSL, Company

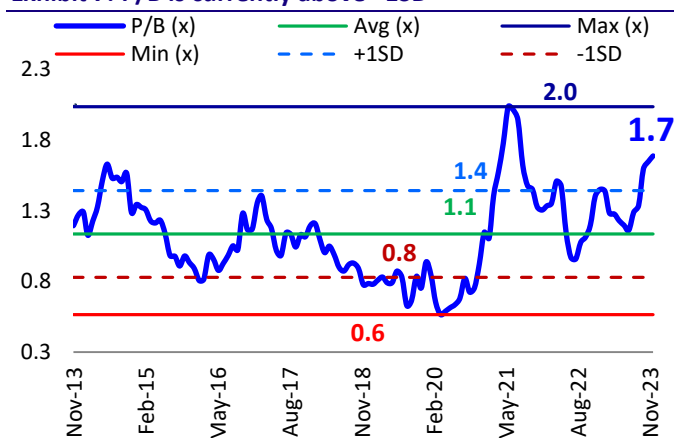
Exhibit 5: FY23 production was slightly lower; it is expected to bounce back and cross 50mt in FY25E

Source: MOFSL, Company

Exhibit 6: International iron ore prices (USD/t) have increased ~8% in the last one month

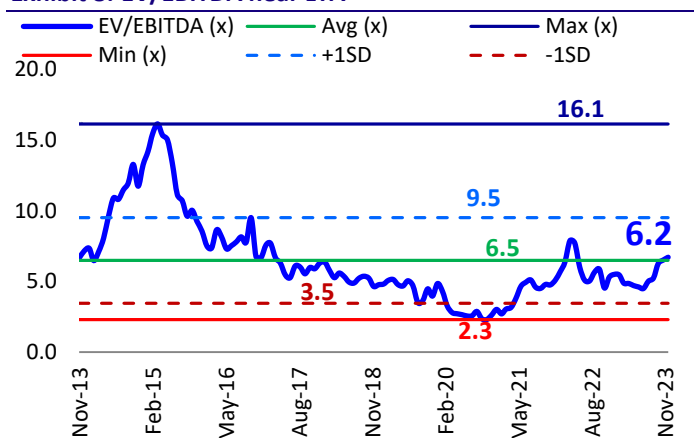
Source: MOFSL, SteelMint

Exhibit 7: P/B is currently above +1SD



Source: MOFSL, Company data

Exhibit 8: EV/EBITDA near LTA



Source: MOFSL, Company data

Exhibit 9: Global comparative valuations

Company	M-Cap USD mn	P/E (x)		EV/EBITDA (x)		P/B (x)		RoE (%)	
		CY22/ FY23	CY23/ FY24	CY22/ FY23	CY23/ FY24	CY22/ FY23	CY23/ FY24	CY22/ FY23	CY23/ FY24
NMDC*	6,227	10.2	8.8	7.1	6.2	2.2	1.9	23.8	23.4
Vale	64,820	6.8	6.1	4.4	4.2	1.5	1.3	22.4	21.8
FMG	46,471	8.4	10.0	4.9	5.5	2.5	2.4	30.8	26.2

Source: MOFSL, Company (*) denotes MOFSL estimates

Exhibit 10: Key assumptions and summary of changes to our estimates

	UoM	FY24E			FY25E		
		New	Old	% change	New	Old	% change
Iron ore Sales Volumes - mt	mt	46.5	45.4	2.4	53.0	52.0	1.9
Blended ASP (INR/t)	INR/t	4,420	4,461	-0.9	4,370	4,409	-0.9
Revenue	INRb	206	203	1.4	232	229	1.0
EBITDA/t - INR	INR/t	1,470	1,485	-1.0	1,509	1,363	10.7
EBITDA	INR b	68	67	1.3	80	71	12.8
Adj PAT	"	57	54	3.7	64	57	13.1

Exhibit 11: Calculation of the target price

Y/E March	UoM	FY25E
Iron ore		
Volumes	mt	53.0
EBITDA	INR/t	1,509
EBITDA	INR m	79,970
Target EV/EBITDA(x)	x	6.0
Target EV	INR m	4,83,815
Add: Net Cash	INR m	81,060
Equity Value	INR m	5,64,875
Share o/s	Mn	2,931
Target price (INR/share)	INR/sh	190

Financials and valuation

Consolidated Income Statement

(INR b)

Y/E March	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E
Net sales	88	116	122	117	154	259	177	206	232
Change (%)	37.1	31.5	4.6	-3.7	31.4	68.4	-31.7	16.4	12.7
Total Expenses	43	53	50	55	66	133	116	137	152
EBITDA	45	63	71	62	88	126	61	68	80
% of Net Sales	50.9	54.4	58.8	53.2	57.2	48.6	34.3	33.3	34.5
EBITDA/t	1,262	1,752	2,207	1,974	2,669	3,138	1,584	1,470	1,509
Depn. & Amortization	2	3	3	3	2	3	3	3	5
EBIT	43	61	69	59	86	123	57	65	75
Net Interest	0	0	0	0	0	0	1	1	1
Other income	9	5	6	5	3	7	8	12	11
PBT before EO	52	65	74	64	89	130	64	76	86
EO income	(9)	(5)	(2)	(11)	-	-	12	-	-
PBT after EO	43	60	72	54	89	130	76	76	86
Tax	17	22	26	17	26	36	21	19	22
Rate (%)	39.7	36.7	35.5	32.5	29.8	27.6	27.6	25.5	25.2
Reported PAT	26	38	46	36	63	94	55	57	64
Adjusted PAT	31	41	48	47	63	94	48	57	64
Change (%)	-3.1	32.4	15.4	-1.9	33.4	50.2	-48.5	16.7	13.4

Consolidated Balance Sheet

(INR b)

Y/E March	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E
Share Capital	3	3	3	3	3	3	3	3	3
Reserves	222	240	256	272	295	177	223	254	290
Shareholders funds	225	244	260	275	298	180	226	257	293
Loans		5	4	6	20	18	4	4	4
Long-term Provisions	6	7	8	8	9	12	14	14	14
Capital Employed	231	256	271	289	327	211	245	276	311
Gross Block	40	49	53	59	62	70	54	74	99
Less: Accum. Deprn.	20	23	26	28	31	34	22	25	30
Net Fixed Assets	20	27	27	30	32	37	32	49	69
Capital WIP	118	125	138	155	171	13	20	20	20
Investments	7	8	9	10	10	9	9	9	9
Curr. Assets	112	126	123	116	156	190	221	236	252
Inventories	5	6	7	7	9	21	27	31	35
Sundry Debtors	10	15	14	22	21	30	27	31	35
Cash and Bank	53	54	46	24	58	80	71	78	85
Loans and Advances	43	51	56	63	67	60	97	97	97
Curr. Liability & Prov.	26	30	27	22	41	38	38	39	39
Sundry Creditors	2	2	2	2	4	7	4	5	6
Other Liabilities & prov.	24	29	25	20	37	32	34	34	34
Net Current Assets	86	96	96	94	115	152	183	198	213
Application of Funds	231	256	271	289	327	211	245	276	311

Financials and valuation

Key Ratios

Y/E March	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E
Basic (INR)									
EPS	9.9	13.1	15.6	15.3	21.3	32.0	16.5	19.3	21.9
Cash EPS	10.5	13.9	16.5	16.2	22.1	33.0	17.7	20.5	23.5
BV/Share	71.2	77.0	84.8	89.9	101.5	61.5	77.2	87.8	99.9
DPS	5.2	5.3	5.5	5.3	7.8	14.7	6.6	8.7	9.8
Payout (%)	56.4	62.9	45.9	54.0	36.4	46.0	19.9	45.0	45.0
Valuation (x)									
P/E	17.1	12.9	10.8	11.0	7.9	5.3	10.2	8.8	7.7
Cash P/E	16.1	12.2	10.2	10.4	7.6	5.1	9.6	8.3	7.2
P/BV	2.4	2.2	2.0	1.9	1.7	2.7	2.2	1.9	1.7
EV/Sales	5.5	4.2	3.9	4.3	3.0	1.7	2.4	2.1	1.8
EV/EBITDA	10.7	7.7	6.7	8.0	5.2	3.4	7.1	6.2	5.2
Dividend Yield (%)	3.0	3.1	3.3	3.1	4.6	8.7	3.9	5.1	5.8
EV (USD/t)	5.0	5.2	4.7	4.9	4.3	4.1	3.7	3.5	3.5
Return Ratios (%)									
EBITDA Margins	50.9	54.4	58.8	53.2	57.2	48.6	34.3	33.3	34.5
Net Profit Margins	35.4	35.7	39.3	40.1	40.7	36.3	27.4	27.5	27.7
RoE	13.4	17.7	19.3	17.5	22.3	39.3	23.8	23.4	23.3
RoCE	19.0	27.0	28.3	23.0	28.9	48.4	28.5	29.4	29.4
RoIC	72.7	100.2	94.2	66.6	90.6	124.8	45.2	41.4	41.2
Working Capital Ratios									
Fixed Asset Turnover (x)	2.2	2.3	2.3	2.0	2.5	3.7	3.3	2.8	2.3
Asset Turnover (x)	0.4	0.5	0.4	0.4	0.5	1.2	0.7	0.7	0.7
Debtor (Days)	43	46	43	69	51	42	55	55	55
Inventory (Days)	22	18	20	23	22	30	55	55	55
Creditors (Days)	8	5	6	7	9	9	9	9	9
Growth (%)									
Sales	37.1	31.5	4.6	-3.7	31.4	68.4	-31.7	16.4	12.7
EBITDA	40.6	40.6	13.0	-12.9	41.4	43.0	-51.9	13.0	17.0
PAT	-3.1	32.4	15.4	-1.9	33.4	50.2	-48.5	16.7	13.4
Leverage Ratio (x)									
Current Ratio	4.4	4.2	4.6	5.3	3.8	5.0	5.8	6.1	6.4
Debt/Equity	-0.2	-0.2	-0.2	-0.1	-0.1	-0.3	-0.3	-0.3	-0.3

Consolidated Cash Flow Statement

Y/E March	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E
(INR b)									
Pre-tax profit	43	60	72	54	89	130	76	76	86
Depreciation	2	3	3	3	2	3	3	3	5
(Inc)/Dec in Wkg. Cap.	13	-9	-8	-21	5	-23	-31	-8	-7
Tax paid	-19	-23	-26	-23	-25	-44	-21	-19	-22
Other operating activities	-18	3	0	8	2	3	-3	1	1
CF from Op. Activity	21	34	41	21	73	69	25	53	62
(Inc)/Dec in FA + CWIP	-24	-21	-20	-24	-16	-12	-14	-20	-25
(Pur)/Sale of Investments	0	-2	7	17	1	-24	9		
Others	76	4	5	4	-28	4	6		
CF from Inv. Activity	52	-19	-8	-3	-43	-32	0	-20	-25
Equity raised/(repaid)	-76		-10		-17				
Interest paid		0	0	0	0	0	-1	-1	-1
Debt raised/(repaid)	-15	5	-1	2	14	3	-14		
Dividend (incl. tax)	-15	-24	-21	-20	-23	-43	-11	-25	-29
Other financing activities	33	4	0	0	0	-1	0		
CF from Fin. Activity	-72	-16	-33	-18	-26	-41	-25	-26	-29
(Inc)/Dec in Cash	0	0	0	1	4	-3	0	7	8
Add: opening Balance	0	1	0	0	1	5	1	1	8
Closing cash balance	1	0	0	1	5	1	1	8	15
Bank Balance	52	54	46	23	53	79	70	70	70
Closing cash balance (incl	53	54	46	24	58	80	71	78	85

Investment in securities market are subject to market risks. Read all the related documents carefully before investing

NOTES

Explanation of Investment Rating	
Investment Rating	Expected return (over 12-month)
BUY	>=15%
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

*In case the recommendation given by the Research Analyst is inconsistent with the investment rating legend for a continuous period of 30 days, the Research Analyst shall be within following 30 days take appropriate measures to make the recommendation consistent with the investment rating legend.

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