

Volume led growth to sustain, aiming 100 MT by FY30

About the stock: NMDC Ltd, formerly National Mineral Development Corporation, est. in 1958, is Navratna Public Sector Enterprise (PSE) under Ministry of Steel. It is largest iron ore mining company in India, with production capacity of ~55 MT.

- It operates seven iron ore mining leases (five in Chhattisgarh and two in Karnataka) with total reserve of ~1,700 million tonne (MT).
- Supplies one of the highest quality iron ore with average Fe grade of ~64%.

Q4FY24 Results: Reported muted performance in Q4FY24. Total operating income for the quarter stood at ₹ 6,489 crore with iron ore sales volume of 12.5 million tonne (flat YoY). EBITDA for Q4FY24 came in at ₹2,102 crore with corresponding EBITDA/tonne at ₹1,676/tonne in Q4FY24 vs. ₹1,762/tonne in Q3FY24 vs. ₹1,742/tonne in Q4FY23. PAT in Q4FY24 stood at ₹1,416 crore.

Investment Rationale

- Low per capita steel usage provides a significant room for growth:** Despite being the world's second largest consumer of finished steel, India's per capita steel consumption of 77 per kg lags far behind the global average of 233 per kg (FY22). With the aim to increase the per capita steel consumption to 160 per kg by 2030-31, the government targeting a crude steel capacity of 300 MT, inevitably driving iron ore requirement to ~447 MT. NMDC, as a prominent player with six decades of experience in the iron ore mining space, is well positioned to seize this growth opportunity.
- Aggressive volume targets to meet the growing demand of iron ore:** NMDC's production volume had remained broadly flat at ~30-35 MT over FY14-21, however is witnessing healthy growth starting FY22 with FY22 sales volume at ~41 MT and FY24 sales volume at ~45 million tonne. It expects to clock ~50 MT production volume in FY25 and further augment it to ~54 MT by FY26. It is now also working on an ambitious target to expand its capacity to 100 MT of iron ore production by FY31 at a total capex outlay of ~₹ 50,000 crore which includes slurry pipelines, pellet plant, crushing and evacuation infrastructure.
- Diversifying its products portfolio by venturing into non iron ore mining space:** NMDC is also exploring opportunities in other minerals such as bauxite, gold, diamond, lithium, and copper, both in India and overseas. It plans to operationalise Rohne coal block with 8 MT capacity in about 24 months timeframe. It has also commissioned a gold mine in Australia. It is also conducting a preliminary feasibility study in magnetite and lithium deposits, which is expected to be completed within 12 to 18 months.

Rating and Target Price

- We have positive view on NMDC given robust iron ore demand, impressive capacity expansion plans, cash rich B/S and healthy RoCE profile. We assign **BUY** rating on NMDC valuing it at ₹ 325 i.e. 8x EV/EBITDA on FY26E.



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NMDC Limited

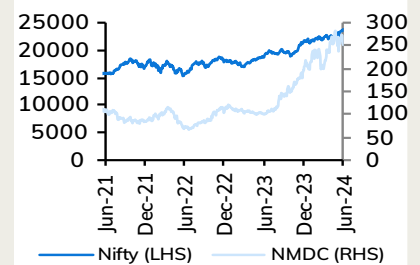
Particulars

Particulars	₹ crore
Market capitalisation	73,268
Total Debt (FY24P)	3,357
Cash & Investment (FY24P)	12,364
EV (₹ crore)	64,261
52 week H/L (₹)	286 / 104
Equity capital (₹ crore)	293.1
Face value (₹)	1.0

Shareholding pattern

	Jun-23	Sep-23	Dec-23	Mar-24
Promoter	60.8	60.8	60.8	60.8
FII	7.0	8.3	9.9	12.6
DII	18.0	17.7	17.3	14.1
Other	14.2	13.2	12.0	12.5

Price Chart



Recent event & key risks

- Targets ~50 MT of iron production in FY25E & ~54 MT for FY26E
- Key Risk: (i) muted iron ore prices consequent to muted demand in China (ii) RoCE decreative capex spending amidst target of 100 MT of iron ore production by FY31

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Key Financial Summary

Key Financials (₹ crore)	FY20	FY21	FY22	FY23	FY24P	5 year CAGR (FY19-24P)	FY25E	FY26E	2 year CAGR (FY24-26E)
Net Sales	11,699	15,370	25,965	17,667	21,308	11.9%	27,194	30,265	19.2%
EBITDA	6,002	8,789	12,624	6,053	7,293	1.0%	9,400	10,675	21.0%
EBITDA Margins (%)	51.3	57.2	48.6	34.3	34.2		34.6	35.3	
Net Profit	3,573	6,277	9,429	5,601	5,575	3.8%	7,592	8,664	24.7%
EPS (₹)	11.7	21.4	32.2	19.1	19.0		25.9	29.6	
P/E	21.4	11.7	7.8	13.1	13.1		9.7	8.5	
RoNW (%)	12.7	21.0	52.3	28.0	20.9		25.0	24.2	
RoCE (%)	20.2	26.7	61.7	22.9	23.8		26.6	26.1	

Key takeaways of Recent Quarter

Q4FY24 Results:

- At NMDC, topline for the quarter came in at ₹6,489 crore (up 11% YoY & 20% QoQ) with iron ore sales volume of 12.5 million tonne (flat YoY, up 9% QoQ). Topline growth was supported by higher ASP's i.e. ₹5,125/tonne in Q4FY24 vs ₹4,679/tonne in Q3FY24 vs ₹4,663/tonne in Q4FY23.
- Reported EBITDA for the quarter came in at ₹2,102 crore with corresponding EBITDA margins at 32% (down 460 bps YoY). EBITDA/tonne came in at ₹1,676/tonne in Q4FY24 vs. ₹1,762/tonne in Q3FY24 vs. ₹1,742/tonne in Q4FY23.
- PAT in Q4FY24 stood at ₹1,416 crore (down 38% YoY, 5% QoQ). The company declared final dividend of ₹ 1.5 per share with total dividend declared for FY24 pegged at ₹ 7.25/share.
- It generated healthy CFO to the tune of ~₹ 7,400 crore and ~₹ 5,500 crore as FCF in FY24.

Q4FY24 Earnings Conference Call Highlights:

- Guidance:** NMDC targets 50 million tons of production in FY25. Thereafter, it aims to produce 54 million tons of iron ore by FY26. Incremental production is expected from Kumaraswamy and Bacheli, which have capacities of 1.5 and 2 million tons respectively, thereby supporting the production goal. NMDC have plans to reach 100 million tons of iron ore production by FY31.
- Capex:** Capex planed for FY25 will be ₹ 2,000 to ₹ 2,500 crore. NMDC plans a capex of ~₹50,000 crore in order to achieve 100 million tons of production in the next 5 to 6 years. The major 50,000-capex allocation as follows: (1) ₹ 1,300 crore for Sp-II tender and Tailing Dam (2) Down Hill conveyor and new crushing plant at Deposit-14 will be ₹ 3,500 crore. (3) Slurry pipeline for Phase 2 and Phase 3 will be ₹ 13,000 crore (4) Pellet plant will be ₹ 2,000 crore. (5) Distribution network will be ₹ 7,000 to ₹ 8,000 crore (6) Stockyard will be ₹ 8,000 to ₹ 10,000 crore. (7) Purchase of Equipment will be ₹ 8,000 to ₹ 10,000 crore. NMDC aims to take approval for at least ₹ 40,000 crore and expects at least ₹ 15,000 to ₹20,000 crore to be sanctioned by FY25.
- Evacuation Capacity:** NMDC will apply for enhancement of Kumaraswamy to 10 million tons. It has already applied for enhancement of 5 million tons from Deposit 14 and expects approval by next year. It is upgrading its single location pellet plant to 6 million tons from earlier planned of 2 million tons.
- NMDC Steel:** NMDC Steel is currently producing 1.2 lakh per month. Repayment of advances to NMDC will start by Q2FY25. It targets 1.8 million to 2 million tons of steel production with EBITDA margins expected to be 10% by FY25. Once the steel plant reaches 90% utilization level, it expects to achieve 25% of EBITDA margins.
- Others:** NMDC paid ₹ 252- ₹ 282 crore to regularized Donimalai plant, which was the forest land, resulting in an increase in other expenses in Q4FY24. Royalty and additional royalty is expected at ~43% of revenue.

Exhibit 1: Assumptions

Particulars	Units	FY19	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E
Sales Volume	million tonne	32.4	31.5	33.3	40.7	38.2	44.5	48.5	54.0
Realisation	₹/tonne	3,708	3,671	4,581	6,300	4,565	4,732	5,555	5,555
EBITDA/tonne	₹/tonne	2,140	1,905	2,643	3,103	1,583	1,640	1,939	1,976

Source: Company, ICICI Direct Research

Financial Summary

Exhibit 2: Profit and loss statement		₹ crore			
(Year-end March)	FY23	FY24P	FY25E	FY26E	
Net Sales	17,667	21,308	27,194	30,265	
Other Operating Income	-	-	-	-	
Total Operating Income	17,667	21,308	27,194	30,265	
Growth (%)	(32)	21	28	11	
Raw Material Expenses	130	580	680	757	
Employee Expenses	1,531	1,626	1,836	1,967	
Other Operating Expense	9,953	11,809	15,279	16,866	
Total Operating Expenditure	11,614	14,015	17,795	19,590	
EBITDA	6,053	7,293	9,400	10,675	
Growth (%)	-73.2	20.5	28.9	13.6	
Depreciation	336	351	406	456	
Interest	75	78	81	79	
Other Income	768	1,371	1,483	1,722	
PBT	6,409	8,235	10,396	11,863	
Exceptional Item	1,237	-282	0	0	
Total Tax	2,108	2,380	2,807	3,203	
PAT	5,601	5,575	7,592	8,664	
Growth (%)	-71.2	-0.5	36.2	14.1	
EPS (₹)	19.1	19.0	25.9	29.6	

Source: Company, ICICI Direct Research

Exhibit 3: Cash flow statement		₹ crore			
(Year-end March)	FY23	FY24P	FY25E	FY26E	
Profit after Tax	5,601	5,575	7,592	8,664	
Add: Depreciation	336	351	406	456	
Sub: Other Income & Exp	-768	-1,371	-1,483	-1,722	
(Inc)/dec in Current Assets	-2,731	1,251	-2,515	-1,236	
Inc/(dec) in CL and Provisions	109	1,439	1,341	883	
Others	75	78	81	79	
CF from operating activities	2,623	7,323	5,422	7,123	
(Inc)/dec in Investments	-45	-16	-1,000	-2,500	
(Inc)/dec in Fixed Assets	-537	-1,765	-2,000	-3,000	
Others + Other income	-2,175	1,108	1,243	1,482	
CF from investing activities	-2,757	-673	-1,757	-4,018	
Issue/(Buy back) of Equity	0	0	0	0	
Inc/(dec) in loan funds	329	1,234	-100	-100	
Dividend & interest outgo	-1,174	-2,203	-2,939	-3,376	
Others	100	-415	0	0	
CF from financing activities	-745	-1,384	-3,039	-3,476	
Net Cash flow	-880	5,266	626	-370	
Opening Cash	7,977	7,098	12,364	12,990	
Closing Cash	7,098	12,364	12,990	12,619	

Source: Company, ICICI Direct Research

Exhibit 4: Balance Sheet		₹ crore			
(Year-end March)	FY23	FY24P	FY25E	FY26E	
Liabilities					
Equity Capital	293.1	293.1	293.1	293.1	
Reserve and Surplus	22,328	25,363	30,097	35,464	
Total Shareholders funds	22,621	25,656	30,390	35,757	
Total Debt	2,123	3,357	3,257	3,157	
Deferred Tax Liability	0	0	0	0	
Minority Interest / Others	170	169	179	189	
Total Liabilities	24,913	29,182	33,826	39,103	
Assets					
Gross Block	5,366	5,895	9,129	11,129	
Less: Acc Depreciation	2,167	2,518	2,924	3,379	
Net Block	3,199	3,377	6,206	7,750	
Capital WIP	1,998	3,235	2,000	3,000	
Total Fixed Assets	5,197	6,611	8,206	10,750	
Investments	940	956	1,956	4,456	
Inventory	2,661	2,767	3,725	4,146	
Debtors	4,361	3,509	4,470	4,975	
Loans and Advances	63	82	104	116	
Other Current Assets	3,428	2,904	3,477	3,775	
Cash	7,098	12,364	12,990	12,619	
Total Current Assets	17,610	21,625	24,766	25,632	
Current Liabilities	426	413	745	829	
Provisions	1,380	1,687	2,301	2,561	
Current Liabilities & Prov	5,040	6,479	7,820	8,703	
Net Current Assets	12,571	15,146	16,946	16,929	
Others Assets	6,206	6,468	6,718	6,968	
Application of Funds	24,913	29,182	33,826	39,103	

Source: Company, ICICI Direct Research

Exhibit 5: Key ratios					
(Year-end March)	FY23	FY24P	FY25E	FY26E	
Per share data (₹)					
EPS	19.1	19.0	25.9	29.6	
Cash EPS	20.3	20.2	27.3	31.1	
BV	77.2	87.5	103.7	122.0	
DPS	3.7	7.3	9.8	11.3	
Cash Per Share	24.2	42.2	44.3	43.1	
Operating Ratios (%)					
EBITDA Margin	34.3	34.2	34.6	35.3	
PAT Margin	31.7	26.2	27.9	28.6	
Inventory days	55.0	47.4	50.0	50.0	
Debtor days	90.1	60.1	60.0	60.0	
Creditor days	8.8	7.1	10.0	10.0	
Return Ratios (%)					
RoE	28.0	20.9	25.0	24.2	
RoCE	22.9	23.8	26.6	26.1	
RoIC	36.2	51.1	47.8	43.5	
Valuation Ratios (x)					
P/E	13.1	13.1	9.7	8.5	
EV / EBITDA	11.3	8.8	6.8	6.0	
EV / Net Sales	3.9	3.0	2.3	2.1	
Market Cap / Sales	4.1	3.4	2.7	2.4	
Price to Book Value	3.2	2.9	2.4	2.0	
Solvency Ratios					
Debt/EBITDA	0.4	0.5	0.3	0.3	
Debt / Equity	0.1	0.1	0.1	0.1	
Current Ratio	5.2	4.0	3.6	3.6	
Quick Ratio	3.7	2.7	2.4	2.4	

Source: Company, ICICI Direct Research

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Hold: -5% to 15%;

Reduce: -15% to -5%;

Sell: <-15%



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