

## Steady operational performance...

**About the stock:** Incorporated in 1958, NMDC is India's largest merchant iron ore miner.

- During FY22, NMDC's iron ore production volume was at ~42 million tonne (MT) while sales volume for FY22 was at ~41 MT
- NMDC is one of the lowest cost iron ore producers in the world

**Q3FY23 Results:** NMDC reported a steady operational performance in Q3FY23.

- For Q3FY23, NMDC reported sales volumes of 9.6 million tonnes (MT), up 14% QoQ but down 2% YoY, broadly in line with our estimate of 9.6 MT. Iron ore sales realisation for the quarter was at ₹ 3821/tonne, down 35% YoY and 2% QoQ (our estimate of ₹ 3800/tonne). EBITDA/tonne for the quarter was at ₹ 1193/tonne, up 18% QoQ but down 55% YoY (our estimate of ₹ 1250/tonne)
- For the quarter, NMDC's standalone revenue from operations was at ₹ 3720 crore, up 12% QoQ but down 37% YoY, broadly in line with our estimate of ₹ 3704 crore
- Standalone EBITDA for the quarter was at ₹ 1143 crore, up 34% QoQ but down 56% YoY (our estimate of ₹ 1203 crore). EBITDA margin for the quarter was at 30.7% against our estimate of 32.5% (EBITDA margin of 44.5% in Q3FY22 and 25.7% in Q2FY23)
- Ensuing standalone PAT for the quarter was at ₹ 890 crore, flattish QoQ (our estimate of ₹ 941 crore). Consolidated PAT for the quarter was at ₹ 904 crore, up 2% QoQ

**What should investors do?** NMDC's share price has given a return of ~15% in the last one year (from ~₹ 103 in February 2022 to ~₹ 118 levels in February 2023).

- We maintain our **BUY** rating on the stock

**Target Price and Valuation:** We value NMDC at ₹ 140, 5x FY24E EV/EBITDA.

**Key triggers for future price performance:**

- For FY24E, the company has given a production target of 50 MT. In the medium-term, NMDC is targeting capacity enhancement to 70-75 MT
- Going forward, for FY23E, we expect an EBITDA margin of 34.3% while for FY24E we expect EBITDA margin at 35.5%

**Alternate Stock Idea:** In our metal sector coverage, we also like Jindal Stainless.

- Jindal Stainless (JSL) has a 1.1 million tonnes per annum (MTPA) integrated stainless steel facility at Jajpur, Odisha
- BUY with a target price of ₹ 300



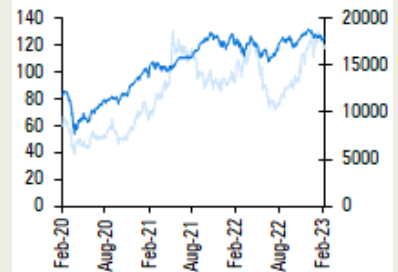
### Particulars

Particular	Amount
Market Capitalization	₹ 34654 crore
Total Debt (Q3FY23)	₹ 2395 crore
Cash and Investments (Q3FY23)	₹ 8713 crore
EV	₹ 28336 crore
52 week H/L	143 / 81
Equity capital	₹ 293.1 crore
Face value	₹ 1

### Shareholding Pattern

(in %)	Mar-22	Jun-22	Sep-22	Dec-22
Promoter	60.8	60.8	60.8	60.8
FIs	6.9	5.9	5.9	6.6
DIs	21.8	22.1	21.0	20.2
Public	10.5	11.2	12.3	12.4
<b>Total</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>

### Price Chart



### Key Risks

- Lower than expected sales volume
- Lower than expected iron ore realisations

### Research Analyst

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### Key Financial Summary

(₹ Crore)	FY18	FY19	FY20	FY21	FY22	CAGR(FY17-FY22 in %)	FY23E	FY24E	CAGR(FY22-FY24E in %)
Net Sales	11,615	12,153	11,699	15,370	25,965	24	16,325	19,248	-14
EBITDA	5,809	6,930	6,010	8,796	12,631	29	5,601	6,827	-26
EBITDA Margin (%)	50.0	57.0	51.4	57.2	48.6		34.3	35.5	
Adj PAT	3,806	4,643	3,611	6,253	9,448	30	4,382	5,196	-26
EPS (₹)	12.0	15.2	11.8	21.3	32.2		15.0	17.7	
EV/EBITDA (x)	5.6	4.8	5.9	3.5	2.3		5.2	4.1	
RoCE (%)	22.3	25.3	20.3	27.0	62.6		24.2	26.5	
RoE (%)	15.6	17.9	13.1	21.0	52.7		22.0	23.1	

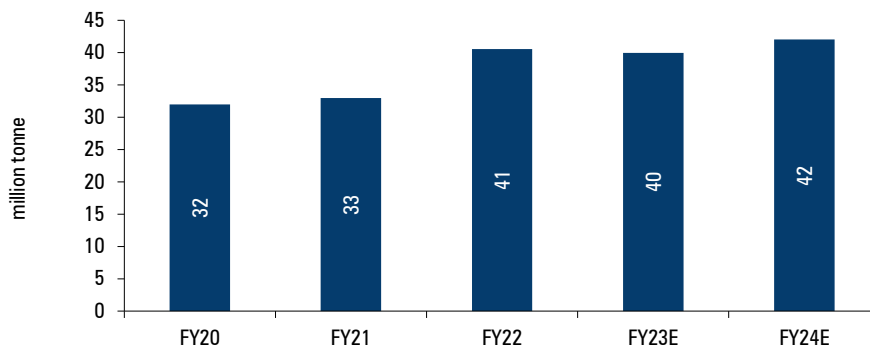
**Exhibit 1: Variance Analysis**

	Q3FY23	Q3FY23E	Q3FY22	YoY (%)	Q2FY23	QoQ (%)	Comments
<b>Total Operating Income</b>	3,720	3,704	5,874	-37%	3,328	12%	Standalone topline broadly came in line with our estimate
Other Income	188	150	153	23%	426	-56%	
Total Operating Expense	2,577	2,741	3,263	-21%	2,474	4%	
<b>EBITDA</b>	<b>1,143</b>	<b>1,203</b>	<b>2,611</b>	<b>-56%</b>	<b>854</b>	<b>34%</b>	Standalone EBITDA broadly came in line with our estimate
EBITDA Margin (%)	30.7	32.5	44.5	-1371 bps	25.7	507 bps	
Depreciation	84	75	61	37%	74	13%	
Interest	30	20	9	233%	18	65%	
Exceptional Items	0	0	0	NA	0	NA	
PBT	<b>1,218</b>	<b>1,258</b>	<b>2,694</b>	<b>-55%</b>	<b>1,188</b>	<b>2%</b>	
Tax Outgo	328	317	646	-49%	299	9%	
<b>Reported PAT</b>	<b>890</b>	<b>941</b>	<b>2,049</b>	<b>-57%</b>	<b>889</b>	<b>0%</b>	Standalone PAT broadly came in line with our estimate
<b>Key Metrics</b>							
Iron ore sales volume (MT)	9.6	9.6	9.8	-2%	8.4	14%	Iron ore sales volume came in line with our estimates
EBITDA/tonne	1,193	1,250	2,652	-55%	1,013	18%	

Source: Company, ICICI Direct Research

## Financial Story in charts

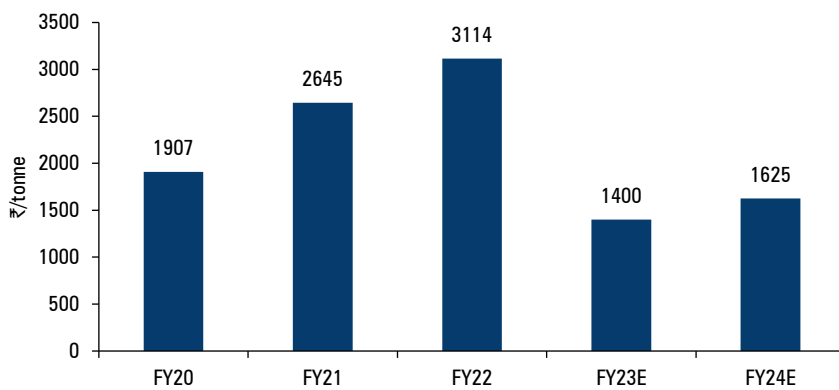
Exhibit 2: Trend in sales volume (in MT)



We assume sales volumes of 40 MT for FY23E and 42 MT for FY24E

Source: Company, ICICI Direct Research

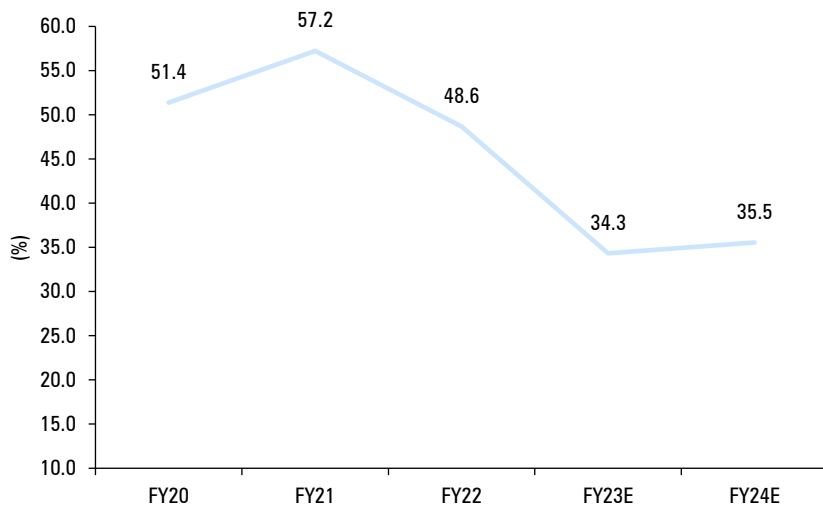
Exhibit 3: Trend in EBITDA/tonne margins level (in ₹/tonne)



We model EBITDA/tonne of ₹ 1400/tonne for FY23E and ₹ 1625/tonne for FY24E

Source: Company, ICICI Direct Research

Exhibit 4: Trend in EBITDA margin (in %)



Over the next couple of years, we expect NMDC's EBITDA margin to hover at ~34-35% level

Source: Company, ICICI Direct Research

Exhibit 5: Valuation Matrix

	Sales (₹ cr)	Growth (%)	EPS (₹)	Growth (%)	PE (x)	EV/EBITDA (x)	RoNW (%)	RoCE (%)
FY20	11,699	-3.7	11.8	-22.2	10.0	5.9	13.1	20.3
FY21	15,370	31.4	21.3	80.9	5.5	3.5	21.0	27.0
FY22	25,965	68.9	32.2	51.1	3.7	2.3	52.7	62.6
FY23E	16,325	-37.1	15.0	-53.6	7.9	5.2	22.0	24.2
FY24E	19,248	17.9	17.7	18.6	6.7	4.1	23.1	26.5

Source: Company, ICICI Direct Research

**Exhibit 6: Valuation (SoTP Based)**

<b>Particulars</b>	<b>Units</b>	<b>Mar-24E</b>
EBITDA (FY24E)	₹ crore	6,827
Multiple	x	5.0
EV	₹ crore	34134
Net Cash and Cash Equivalents (FY24E)	₹ crore	6903
Equity value	₹ crore	41,038
No. of Equity Shares	in crore	293
<b>Target price of NMDC</b>	<b>in ₹/share</b>	<b>140</b>
CMP of NMDC	in ₹/share	118
Upside (%)	in %	19%

Source: Company, ICICI Direct Research

## Financial summary

Exhibit 7: Profit and loss statement		₹ crore			
(Year-end March)	FY21	FY22	FY23E	FY24E	
<b>Total Operating Income</b>	<b>15370</b>	<b>25965</b>	<b>16325</b>	<b>19248</b>	
Growth (%)	31	69	-37	18	
Total Operating Expenditure	6574	13334	10724	12421	
<b>EBITDA</b>	<b>8796</b>	<b>12631</b>	<b>5601</b>	<b>6827</b>	
Growth (%)	46	44	-56	22	
Depreciation	228	287	341	376	
Interest	17	39	86	78	
Other Income	350	718	912	843	
<b>PBT</b>	<b>8901</b>	<b>13023</b>	<b>6086</b>	<b>7216</b>	
Exceptional Item	0	0	0	0	
Total Tax	2648	3575	1704	2021	
<b>PAT</b>	<b>6253</b>	<b>9448</b>	<b>4382</b>	<b>5196</b>	
Growth (%)	73	51	-54	19	
<b>EPS (₹)</b>	<b>21.3</b>	<b>32.2</b>	<b>15.0</b>	<b>17.7</b>	

Source: Company, ICICI Direct Research

Exhibit 8: Cash flow statement		₹ crore			
(Year-end March)	FY21	FY22	FY23E	FY24E	
Profit after Tax	6,253	9,448	4,382	5,196	
Add: Depreciation	228	287	341	376	
(Inc)/dec in Current Assets	168	-2,401	-200	-698	
Inc/(dec) in CL and Provisions	683	-737	908	442	
Others	0	0	0	0	
<b>CF from operating activities</b>	<b>7,331</b>	<b>6,597</b>	<b>5,431</b>	<b>5,316</b>	
(Inc)/dec in Investments	1	-3	0	0	
(Inc)/dec in Fixed Assets	-1,956	-3,047	-3,500	-1,500	
Others	640	1,925	0	0	
<b>CF from investing activities</b>	<b>-1,316</b>	<b>-1,125</b>	<b>-3,500</b>	<b>-1,500</b>	
Issue/(Buy back) of Equity	-13	0	0	0	
Inc/(dec) in loan funds	1,429	-202	0	0	
Dividend paid & dividend tax	-2,274	-4,320	-2,345	-2,638	
Inc/(dec) in Share Cap	-1,743	1,183	-9	0	
Others	0	0	0	0	
<b>CF from financing activities</b>	<b>-2,602</b>	<b>-3,339</b>	<b>-2,354</b>	<b>-2,638</b>	
Net Cash flow	3,414	2,133	-422	1,179	
Opening Cash	2,392	5,806	7,939	7,517	
<b>Closing Cash</b>	<b>5,806</b>	<b>7,939</b>	<b>7,517</b>	<b>8,696</b>	

Source: Company, ICICI Direct Research

Exhibit 9 : Balance sheet		₹ crore			
(Year-end March)	FY21	FY22	FY23E	FY24E	
<b>Liabilities</b>					
Equity Capital	293	293	293	293	
Reserve and Surplus	29,463	17,631	19,660	22,218	
Total Shareholders funds	29,756	17,924	19,953	22,511	
Total Debt	1,994	1,792	1,792	1,792	
Deferred Tax Liability	0	0	0	0	
Others	1,851	2,641	2,641	2,641	
<b>Total Liabilities</b>	<b>33,601</b>	<b>22,358</b>	<b>24,386</b>	<b>26,944</b>	
<b>Assets</b>					
Gross Block	6,313	6,269	8,019	7,519	
Less: Acc Depreciation	3,143	3,430	3,771	4,147	
Net Block	3,170	2,839	4,248	3,372	
Capital WIP	17,077	1,298	3,048	5,048	
Total Fixed Assets	20,247	4,137	7,296	8,420	
Investments	985	987	987	987	
Inventory	922	2,132	2,013	2,109	
Debtors	2,140	2,964	2,907	2,637	
Loans and Advances	4,597	3,984	4,081	4,812	
Other Current Assets	1,681	2,660	2,939	3,080	
Cash	5,806	7,939	7,517	8,696	
Total Current Assets	15,145	19,679	19,457	21,333	
Current Liabilities	360	667	671	844	
Provisions	2,823	1,780	2,684	2,953	
Current Liabilities & Prov	3,183	2,446	3,355	3,797	
Net Current Assets	11,962	17,233	16,102	17,537	
Others Assets	408	0	0	0	
<b>Application of Funds</b>	<b>33,601</b>	<b>22,358</b>	<b>24,386</b>	<b>26,944</b>	

Source: Company, ICICI Direct Research

Exhibit 10: Key ratios					
(Year-end March)	FY21	FY22	FY23E	FY24E	
<b>Per share data (₹)</b>					
EPS	21.3	32.2	15.0	17.7	
Cash EPS	20.5	30.8	14.9	17.6	
BV	101.5	61.2	68.1	76.8	
DPS	7.8	14.7	8.0	9.0	
Cash Per Share (Incl Invst)	13.0	21.0	19.5	23.6	
<b>Operating Ratios (%)</b>					
EBITDA Margin	57.2	48.6	34.3	35.5	
PBT / Total Op. income	57.9	50.2	37.3	37.5	
PAT Margin	40.7	36.4	26.8	27.0	
Inventory days	22	30	45	40	
Debtor days	51	42	65	50	
Creditor days	9	9	15	16	
<b>Return Ratios (%)</b>					
RoE	21.0	52.7	22.0	23.1	
RoCE	27.0	62.6	24.2	26.5	
<b>Valuation Ratios (x)</b>					
P/E	5.5	3.7	7.9	6.7	
EV / EBITDA	3.5	2.3	5.2	4.1	
EV / Net Sales	2.0	1.1	1.8	1.4	
Market Cap / Sales	2.2	1.3	2.1	1.8	
Price to Book Value	1.2	1.9	1.7	1.5	
<b>Solvency Ratios</b>					
Debt/EBITDA	0.2	0.1	0.3	0.3	
Debt / Equity	0.1	0.1	0.1	0.1	
Current Ratio	4.8	8.0	5.8	5.6	
Quick Ratio	4.5	7.2	5.2	5.1	

Source: Company, ICICI Direct Research

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