

Steady operational performance....

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

- During FY23, NMDC's iron ore production volume was at ~41 million tonne (MT) while sales volume for FY23 was at ~38 MT
- NMDC is one of the lowest cost iron ore producers in the world

Q4FY23 Results: NMDC reported a steady operational performance for Q4FY23.

- For Q4FY23, NMDC reported sales volumes of 12.4 million tonnes (MT), up 30% QoQ broadly in line with our estimate of 12.5 MT. Iron ore sales realisation for the quarter was at ₹ 4663/tonne, up 22% QoQ (our estimate of ₹ 4500/tonne). EBITDA/tonne for the quarter was at ₹ 1745/tonne, up 46% QoQ (our estimate of ₹ 1675/tonne)
- NMDC's standalone revenue from operations was at ₹ 5851 crore, up 57% QoQ but down 14% YoY (our estimate of ₹ 5603 crore). Standalone EBITDA for the quarter was at ₹ 2165 crore, up 89% QoQ but down 21% YoY (our estimate of ₹ 2085 crore)
- NMDC reported exceptional income to the tune of ₹ 1237.27 crore. Exceptional income includes a) ₹ 957 crore from monitoring committee towards 10% of the amount withheld for the period January 1, 2019 to March 31, 2022 b) ₹ 279.67 crore profit on strategic divestment of NINL (net off the gross amount of ₹ 380.27 crore received against the amount invested in NINL of ₹ 100.60 crore). Ensuing standalone PAT (after exceptional income) for the quarter was at ₹ 2277 crore, up 22% YoY and 156% QoQ

What should investors do? NMDC's share price has given a return of ~24% in the last one year (from ~₹ 84 in May2022 to ~₹ 104 levels in May 2023).

- On the back of declining trend in global iron ore prices over the last few months, we downgrade the stock from BUY to **HOLD**

Target Price and Valuation: We value NMDC at ₹ 115, 4.5x FY25E EV/EBITDA.

Key triggers for future price performance:

- For FY24E, NMDC has given a production volume guidance in the range of ~46-50 MT
- Going forward, for FY24E, we expect an EBITDA margin of 30.1% while for FY25E we expect EBITDA margin at 33.3%

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

- Jindal Stainless (JSL) has manufacturing facilities in Jajpur, Odisha and Hisar, Haryana and an overseas unit in Indonesia.
- BUY with a target price of ₹ 350



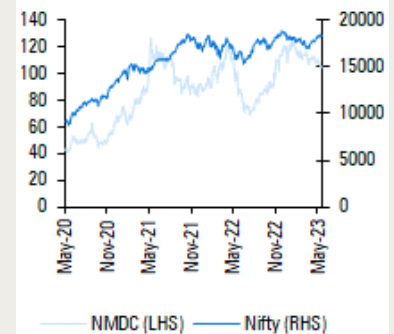
Particulars

Particular	Amount
Market Capitalization	₹ 30859 crore
Total Debt (Q4FY23)	₹ 416 crore
Cash and Investments (Q4FY23)	₹ 7048 crore
EV	₹ 24227 crore
52 week H/L	132 / 81
Equity capital	₹ 293.1 crore
Face value	₹ 1

Shareholding Pattern

(in %)	Jun-22	Sep-22	Dec-22	Mar-23
Promoter	60.8	60.8	60.8	60.8
Flls	5.9	5.9	6.6	7.3
Dlls	22.1	21.0	20.2	19.4
Public	11.2	12.3	12.4	12.5
Total	100	100	100	100

Price Chart



Key Risks

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

Research Analyst

Dewang Sanghavi
dewang.sanghavi@icicisecurities.com

Key Financial Summary

(₹ Crore)	FY19	FY19	FY20	FY21	FY22	FY23	CAGR(FY18-FY23 in %)	FY24E	FY25E	CAGR(FY23-FY25E in %)
Net Sales	11,615	12,153	11,699	15,370	25,965	17,667	9	17,930	18,728	3
EBITDA	5,809	6,930	6,010	8,796	12,631	6,063	1	5,399	6,243	1
EBITDA Margin (%)	50.0	57.0	51.4	57.2	48.6	34.3		30.1	33.3	
Adj PAT	3,806	4,643	3,611	6,253	9,448	5,529	8	4,101	5,021	-5
EPS (₹)	12.0	15.2	11.8	21.3	32.2	18.9		14.0	17.1	
EV/EBITDA (x)	4.8	4.1	5.2	3.0	1.9	3.9		4.5	4.0	
RoCE (%)	22.3	25.3	20.3	27.0	62.6	25.2		20.4	21.6	
RoE (%)	15.6	17.9	13.1	21.0	52.7	24.8		17.0	19.0	

Source: Company, ICICI Direct Research

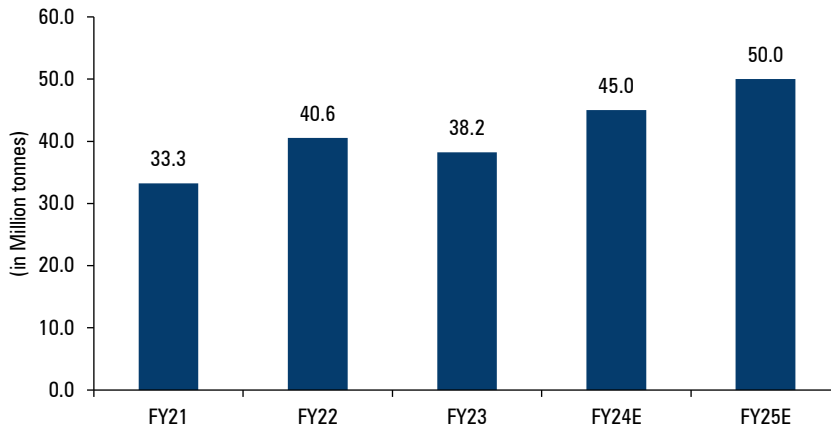
Exhibit 1: Variance Analysis

	Q4FY23	Q4FY23E	Q4FY22	YoY (%)	Q3FY23	QoQ (%)	Comments
Total Operating Income	5,851	5,603	6,785	-14%	3,720	57%	Standalone topline came in higher than our estimate
Other Income	-12	200	333	PL	188	PL	
Total Operating Expense	3,686	3,518	4,059	-9%	2,577	43%	
EBITDA	2,165	2,085	2,726	-21%	1,143	89%	Standalone EBITDA came in higher than our estimate
EBITDA Margin (%)	37.0	37.2	40.2	-317 bps	30.7	627 bps	
Depreciation	93	85	111	-16%	84	11%	
Interest	12	30	25	-53%	30	-61%	
Exceptional Items	1,237	0	0	NA	0	NA	
PBT	3,286	2,170	2,922	12%	1,218	170%	
Tax Outgo	1,008	543	1,060	-5%	328	208%	
Reported PAT	2,277	1,628	1,862	22%	889	156%	Aided by exceptional income, standalone PAT came in higher than our estimate
Key Metrics							
Iron ore sales volume (MT)	12.4	12.5	12.4	0%	9.6	30%	Iron ore sales volume came in broadly in line with our estimate
EBITDA/tonne	1,745	1,675	2,201	-21%	1,193	46%	Standalone EBITDA/tonne came in higher than our estimate

Source: Company, ICICI Direct Research

Financial Story in charts

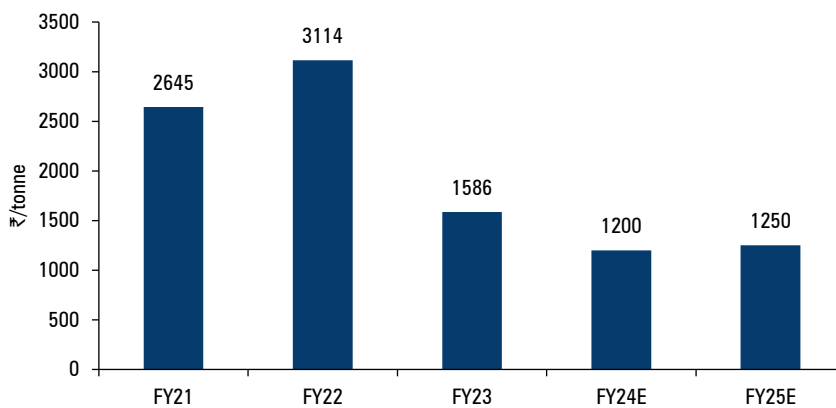
Exhibit 2: Trend in sales volume (in MT)



We assume sales volumes of 45 MT for FY24E and 50 MT for FY25E

Source: Company, ICICI Direct Research

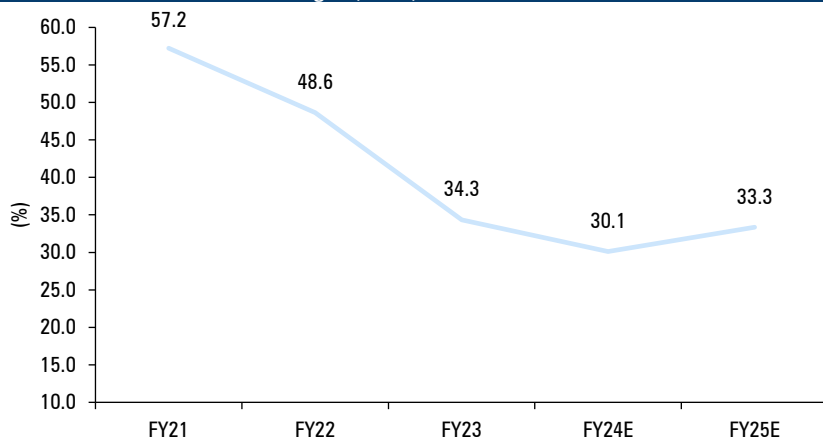
Exhibit 3: Trend in EBITDA/tonne margins level (in ₹/tonne)



We model EBITDA/tonne of ₹ 1200/tonne for FY24E and ₹ 1250/tonne for FY25E

Source: Company, ICICI Direct Research

Exhibit 4: Trend in EBITDA margin (in %)



Over the next couple of years, we expect NMDC to report EBITDA margin of 30.1% in FY24E and 33.3% for FY25E

Source: Company, ICICI Direct Research

Exhibit 5: Valuation Matrix

	Sales (₹ cr)	Growth (%)	EPS (₹)	Growth (%)	PE (x)	EV/EBITDA (x)	RoNW (%)	RoCE (%)
FY21	15,370	31.4	21.3	80.9	4.9	3.0	21.0	27.0
FY22	25,965	68.9	32.2	51.1	3.2	1.9	52.7	62.6
FY23	17,667	-32.0	18.9	-41.5	5.5	3.9	24.8	25.2
FY24E	17,930	1.5	14.0	-25.8	7.4	4.5	17.0	20.4
FY25E	18,728	4.4	17.1	22.4	6.1	4.0	19.0	21.6

Source: Company, ICICI Direct Research

Exhibit 6: Valuation

Particulars	Units	Mar-25E
EBITDA (FY25E)	₹ crore	6,243
Multiple	x	4.5
EV	₹ crore	28096
Net Cash and Cash Equivalents (FY25E)	₹ crore	5735
Equity value	₹ crore	33,831
No. of Equity Shares	in crore	293
Target price of NMDC	in ₹/share	115
CMP of NMDC	in ₹/share	104
Upside (%)	in %	11%

Source: Company, ICICI Direct Research

Financial summary

Exhibit 7: Profit and loss statement				
	₹ crore			
(Year-end March)	FY22	FY23	FY24E	FY25E
Total Operating Income	25965	17667	17930	18728
Growth (%)	69	-32	1	4
Total Operating Expenditure	13334	11604	12531	12484
EBITDA	12631	6063	5399	6243
Growth (%)	44	-52	-11	16
Depreciation	287	335	401	439
Interest	39	75	78	80
Other Income	718	748	775	736
PBT	13023	6400	5696	6461
Exceptional Item	0	1237	0	0
Total Tax	3575	2108	1595	1440
PAT	9448	5529	4101	5021
Growth (%)	51	-41	-26	22
EPS (₹)	32.2	18.9	14.0	17.1

Source: Company, ICICI Direct Research

Exhibit 8: Cash flow statement				
	₹ crore			
(Year-end March)	FY22	FY23	FY24E	FY25E
Profit after Tax	9,448	5,529	4,101	5,021
Add: Depreciation	287	335	401	439
(Inc)/dec in Current Assets	-2,401	-3,285	428	-649
Inc/(dec) in CL and Provisions	-737	407	-863	89
Others	0	0	0	0
CF from operating activities	6,597	2,987	4,066	4,899
(Inc)/dec in Investments	-3	101	-25	-25
(Inc)/dec in Fixed Assets	-3,047	-1,180	-2,000	-2,629
Others	1,925	-300	-125	-125
CF from investing activities	-1,125	-1,380	-2,150	-2,779
Issue/(Buy back) of Equity	0	0	0	0
Inc/(dec) in loan funds	-202	-1,376	0	0
Dividend paid & dividend tax	-4,320	-1,934	-2,345	-2,638
Inc/(dec) in Share Cap	1,183	813	0	0
Others	0	0	0	0
CF from financing activities	-3,339	-2,498	-2,345	-2,638
Net Cash flow	2,133	-891	-429	-518
Opening Cash	5,806	7,939	7,048	6,620
Closing Cash	7,939	7,048	6,620	6,101

Source: Company, ICICI Direct Research

Exhibit 9 : Balance sheet				
	₹ crore			
(Year-end March)	FY22	FY23	FY24E	FY25E
Liabilities				
Equity Capital	293	293	293	293
Reserve and Surplus	17,631	22,039	23,795	26,178
Total Shareholders funds	17,924	22,332	24,089	26,472
Total Debt	1,792	416	416	416
Deferred Tax Liability	0	0	0	0
Others	2,641	2,341	2,216	2,091
Total Liabilities	22,358	25,089	26,720	28,978
Assets				
Gross Block	6,269	6,786	7,286	7,979
Less: Acc Depreciation	3,430	3,766	4,166	4,605
Net Block	2,839	3,020	3,120	3,374
Capital WIP	1,298	1,962	3,462	5,398
Total Fixed Assets	4,137	4,982	6,581	8,772
Investments	987	887	912	937
Inventory	2,132	2,661	2,702	2,822
Debtors	2,964	2,656	2,751	2,873
Loans and Advances	3,984	6,813	6,275	6,555
Other Current Assets	2,660	2,895	2,869	2,996
Cash	7,939	7,048	6,620	6,101
Total Current Assets	19,679	22,073	21,217	21,348
Current Liabilities	667	426	442	462
Provisions	1,780	2,427	1,547	1,616
Current Liabilities & Prov	2,446	2,853	1,989	2,078
Net Current Assets	17,233	19,220	19,227	19,270
Others Assets	0	0	0	0
Application of Funds	22,358	25,089	26,720	28,978

Source: Company, ICICI Direct Research

Exhibit 10: Key ratios				
(Year-end March)	FY22	FY23	FY24E	FY25E
Per share data (₹)				
EPS	32.2	18.9	14.0	17.1
Cash EPS	30.8	18.5	14.2	17.3
BV	61.2	76.2	82.2	90.3
DPS	14.7	6.6	8.0	9.0
Cash Per Share (Incl Invst)	21.0	22.6	21.2	19.4
Operating Ratios (%)				
EBITDA Margin	48.6	34.3	30.1	33.3
PBT / Total Op. income	50.2	36.2	31.8	34.5
PAT Margin	36.4	31.3	22.9	26.8
Inventory days	30	55	55	55
Debtor days	42	55	56	56
Creditor days	9	9	9	9
Return Ratios (%)				
RoE	52.7	24.8	17.0	19.0
RoCE	62.6	25.2	20.4	21.6
Valuation Ratios (x)				
P/E	3.2	5.5	7.4	6.1
EV / EBITDA	1.9	3.9	4.5	4.0
EV / Net Sales	0.9	1.3	1.4	1.3
Market Cap / Sales	1.2	1.7	1.7	1.6
Price to Book Value	1.7	1.4	1.3	1.2
Solvency Ratios				
Debt/EBITDA	0.1	0.1	0.1	0.1
Debt / Equity	0.1	0.0	0.0	0.0
Current Ratio	8.0	7.7	10.7	10.3
Quick Ratio	7.2	6.8	9.3	8.9

Source: Company, ICICI Direct Research

NMDC - ESG Disclosure Score*

ESG Disclosure Score			
Score	FY20	FY21	FY22
Environmental	12.7	15.8	NA
Social	26.7	28.5	NA
Governance	75.5	57.8	NA
Overall ESG Score	38.4	34.1	NA

Source: Bloomberg, ICICI Direct Research, *Score ranges from 0 - 100 with a higher score indicating higher ESG disclosures

RATING RATIONALE

ICICI Direct endeavours to provide objective opinions and recommendations. ICICI Direct assigns ratings to its stocks according to their notional target price vs. current market price and then categorizes them as Buy, Hold, Reduce and Sell. The performance horizon is two years unless specified and the notional target price is defined as the analysts' valuation for a stock

Buy: > 15%

Hold: -5% to 15%;

Reduce: -15% to -5%;

Sell: <-15%



Pankaj Pandey

Head – Research

pankaj.pandey@icicisecurities.com

**ICICI Direct Research Desk,
ICICI Securities Limited,
Third Floor, Brillanto House,
Road No 13, MIDC,
Andheri (East)
Mumbai – 400 093
research@icicidirect.com**

ANALYST CERTIFICATION

I We, Dewang Sanghavi, MBA (Finance), Research Analysts, authors and the names subscribed to this report, hereby certify that all of the views expressed in this research report accurately reflect our views about the subject issuer(s) or securities. We also certify that no part of our compensation was, is, or will be directly or indirectly related to the specific recommendation(s) or view(s) in this report. It is also confirmed that above mentioned Analysts of this report have not received any compensation from the companies mentioned in the report in the preceding twelve months and do not serve as an officer, director or employee of the companies mentioned in the report.

Terms & conditions and other disclosures:

ICICI Securities Limited (ICICI Securities) is a full-service, integrated investment banking and is, inter alia, engaged in the business of stock brokering and distribution of financial products.

ICICI Securities is Sebi registered stock broker, merchant banker, investment adviser, portfolio manager and Research Analyst. ICICI Securities is registered with Insurance Regulatory Development Authority of India Limited (IRDAI) as a composite corporate agent and with PFRDA as a Point of Presence. ICICI Securities Limited Research Analyst SEBI Registration Number – INH000000990. ICICI Securities Limited SEBI Registration is INZ000183631 for stock broker. Registered Office Address: ICICI Venture House, Appasaheb Marathe Marg, Prabhadevi, Mumbai - 400 025. CIN: L67120MH1995PLC086241, Tel: (91 22) 6807 7100. ICICI Securities is a subsidiary of ICICI Bank which is India's largest private sector bank and has its various subsidiaries engaged in businesses of housing finance, asset management, life insurance, general insurance, venture capital fund management, etc. ("associates"), the details in respect of which are available on www.icicibank.com.

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

Registration granted by Sebi and certification from NISM in no way guarantee performance of the intermediary or provide any assurance of returns to investors. None of the research recommendations promise or guarantee any assured, minimum or risk-free return to the investors.

Name of the Compliance officer (Research Analyst): Mr. Anoop Goyal

Contact number: 022-40701000 E-mail Address: complianceofficer@icicisecurities.com

For any queries or grievances: Mr. Prabodh Avadhoot Email address: headservicequality@icicidirect.com Contact Number: 18601231122

ICICI Securities is one of the leading merchant bankers/ underwriters of securities and participate in virtually all securities trading markets in India. We and our associates might have investment banking and other business relationship with a significant percentage of companies covered by our Investment Research Department. ICICI Securities and its analysts, persons reporting to analysts and their relatives are generally prohibited from maintaining a financial interest in the securities or derivatives of any companies that the analysts cover. Recommendation in reports based on technical and derivative analysis centre on studying charts of a stock's price movement, outstanding positions, trading volume etc as opposed to focusing on a company's fundamentals and, as such, may not match with the recommendation in fundamental reports. Investors may visit icicidirect.com to view the Fundamental and Technical Research Reports. Our proprietary trading and investment businesses may make investment decisions that are inconsistent with the recommendations expressed herein. ICICI Securities Limited has two independent equity research groups: Institutional Research and Retail Research. This report has been prepared by the Retail Research. The views and opinions expressed in this document may or may not match or may be contrary with the views, estimates, rating, and target price of the Institutional Research. The information and opinions in this report have been prepared by ICICI Securities and are subject to change without any notice. The report and information contained herein is strictly confidential and meant solely for the selected recipient and may not be altered in any way, transmitted to, copied or distributed, in part or in whole, to any other person or to the media or reproduced in any form, without prior written consent of ICICI Securities. While we would endeavour to update the information herein on a reasonable basis, ICICI Securities is under no obligation to update or keep the information current. Also, there may be regulatory, compliance or other reasons that may prevent ICICI Securities from doing so. Non-rated securities indicate that rating on a particular security has been suspended temporarily and such suspension is in compliance with applicable regulations and/or ICICI Securities policies, in circumstances where ICICI Securities might be acting in an advisory capacity to this company, or in certain other circumstances.

This report is based on information obtained from public sources and sources believed to be reliable, but no independent verification has been made nor is its accuracy or completeness guaranteed. This report and information herein is solely for informational purpose and shall not be used or considered as an offer document or solicitation of offer to buy or sell or subscribe for securities or other financial instruments. Though disseminated to all the customers simultaneously, not all customers may receive this report at the same time. ICICI Securities will not treat recipients as customers by virtue of their receiving this report. Nothing in this report constitutes investment, legal, accounting and tax advice or a representation that any investment or strategy is suitable or appropriate to your specific circumstances. The securities discussed and opinions expressed in this report may not be suitable for all investors, who must make their own investment decisions, based on their own investment objectives, financial positions and needs of specific recipient. This may not be taken in substitution for the exercise of independent judgment by any recipient. The recipient should independently evaluate the investment risks. The value and return on investment may vary because of changes in interest rates, foreign exchange rates or any other reason. ICICI Securities accepts no liabilities whatsoever for any loss or damage of any kind arising out of the use of this report. Past performance is not necessarily a guide to future performance. Investors are advised to see Risk Disclosure Document to understand the risks associated before investing in the securities markets. Actual results may differ materially from those set forth in projections. Forward-looking statements are not predictions and may be subject to change without notice. ICICI Securities or its associates might have managed or co-managed public offering of securities for the subject company or might have been mandated by the subject company for any other assignment in the past twelve months.

ICICI Securities or its associates might have received any compensation from the companies mentioned in the report during the period preceding twelve months from the date of this report for services in respect of managing or co-managing public offerings, corporate finance, investment banking or merchant banking, brokerage services or other advisory service in a merger or specific transaction. ICICI Securities or its associates might have received any compensation for products or services other than investment banking or merchant banking or brokerage services from the companies mentioned in the report in the past twelve months.

ICICI Securities encourages independence in research report preparation and strives to minimize conflict in preparation of research report. ICICI Securities or its associates or its analysts did not receive any compensation or other benefits from the companies mentioned in the report or third party in connection with preparation of the research report. Accordingly, neither ICICI Securities nor Research Analysts and their relatives have any material conflict of interest at the time of publication of this report.

Compensation of our Research Analysts is not based on any specific merchant banking, investment banking or brokerage service transactions. ICICI Securities or its subsidiaries collectively or Research Analysts or their relatives do not own 1% or more of the equity securities of the Company mentioned in the report as of the last day of the month preceding the publication of the research report.

Since associates of ICICI Securities and ICICI Securities as a entity are engaged in various financial service businesses, they might have financial interests or actual/ beneficial ownership of one percent or more or other material conflict of interest various companies including the subject company/companies mentioned in this report. CICI Securities may have issued other reports that are inconsistent with and reach different conclusion from the information presented in this report. Neither the Research Analysts nor ICICI Securities have been engaged in market making activity for the companies mentioned in the report.

We submit that no material disciplinary action has been taken on ICICI Securities by any Regulatory Authority impacting Equity Research Analysis activities.

This report is not directed or intended for distribution to, or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject ICICI Securities and affiliates to any registration or licensing requirement within such jurisdiction. The securities described herein may or may not be eligible for sale in all jurisdictions or to certain category of investors. Persons in whose possession this document may come are required to inform themselves of and to observe such restriction.