

May 30, 2024

Q4FY24 Result Update

Change in Estimates | Target | Reco

Change in Estimates

Rating	Current		Previous	
	FY25E	FY26E	FY25E	FY26E
Rating	ACCUMULATE		ACCUMULATE	
Target Price	279		253	
Sales (Rs. bn)	252	292	235	265
% Chng.	7.3	10.2		
EBITDA (Rs. bn)	91	113	86	104
% Chng.	5.6	8.6		
EPS (Rs.)	24.5	29.8	22.4	27.1
% Chng.	9.2	10.0		

Key Financials - Standalone

Y/e Mar	FY23	FY24	FY25E	FY26E
Sales (Rs. m)	177	213	252	292
EBITDA (Rs. m)	61	73	91	113
Margin (%)	34.3	34.2	36.2	38.7
PAT (Rs. m)	46	58	72	87
EPS (Rs.)	15.8	19.7	24.5	29.8
Gr. (%)	(50.6)	24.3	24.4	21.6
DPS (Rs.)	-	-	-	-
Yield (%)	-	-	-	-
RoE (%)	22.8	23.9	25.7	26.5
RoCE (%)	29.9	32.4	33.8	35.1
EV/Sales (x)	4.0	3.0	2.5	2.1
EV/EBITDA (x)	11.6	8.9	7.0	5.5
PE (x)	16.3	13.1	10.5	8.7
P/BV (x)	3.3	2.9	2.5	2.1

Key Data

NMDC.BO | NMDC IN

52-W High / Low	Rs.286 / Rs.104
Sensex / Nifty	74,503 / 22,705
Market Cap	Rs.757bn/ \$ 9,077m
Shares Outstanding	2,931m
3M Avg. Daily Value	Rs.4552.72m

Shareholding Pattern (%)

Promoter's	60.79
Foreign	12.60
Domestic Institution	14.11
Public & Others	12.50
Promoter Pledge (Rs bn)	-

Stock Performance (%)

	1M	6M	12M
Absolute	1.3	43.0	141.5
Relative	1.5	28.4	103.7

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Strong value led performance

Quick Pointers:

- Received clearance for incremental 1.5mtpa mining capacity at Kumaraswamy mine; expect full ramp-up for FY25
- ~1mt output was lost in May'24 owing to employee wage revision unrest, which ended this week

NMDC 4QFY24 EBITDA grew 5% QoQ to Rs21bn (-3% YoY) on higher-than-expected increase in other expenses and royalties. The revenue growth was led by sharp 11% increase in average realization as the company had announced two price hikes during Jan'24. After receiving Kumaraswamy EC extension approvals, NMDC guided for ~50/54mt in FY25/26E. We adjust our volume estimates to 47.5/53.1mt from earlier 48.1/52.4mt as recent conflict with employees on wage revision impacted ~1mt volume in May'24. Benefit of price hikes undertaken in 1QFY25 should aid going forward as domestic demand remains strong. Management discussed its long-term mining capex program of Rs500bn for augmenting mining capacities to ~100mtpa by FY31E along with evacuation infrastructure and capex for improvement of the distribution network. Board approvals for ~Rs50bn capex have been obtained and peak capex of Rs80-90bn per year would start from FY27E. NMDC is well placed to capitalize on strong volume growth in domestic steel markets over the next few years given its increased focus on mining business, which is expected to deliver ~9% CAGR over FY24-26E. We raise our FY25/26E EBITDA by ~6%/9% on higher volume/ price assumptions and expect revenue/EBITDA/PAT growth of 17%/25%/23% over FY24-26E. At CMP, the stock is trading at 7x/5.5x EV of FY25E/FY26E EBITDA. We maintain 'Accumulate' rating with a revised TP of Rs279 (earlier Rs253) valuing at 6x EV of Mar'26E EBITDA.

Strong value-led growth: Revenue grew 20% QoQ to Rs64.9bn (up 11% YoY; PLe 63.8bn) on account of 11% QoQ increase in average realization, which stood at Rs5,187/t (+11% YoY; PLe Rs5,053/t). Volumes grew at 10% QoQ to 12.51mt (+1% YoY) as Kumaraswamy mine was shut since mid-Feb due to EC limit. EBITDA grew just 5% QoQ to Rs21bn (-3% YoY; PLe Rs24.3bn) on higher operating expenses aided by higher royalty & cess.

Higher operating expenses affected EBITDA/t: EBITDA/t declined 5% QoQ to Rs1,680 (-4% YoY; PLe Rs1,944/t) as stores and spare parts more than doubled sequentially. Royalty & cess per ton increased 40% QoQ. Freight costs increased 7% QoQ to Rs375/t. PAT declined 4% QoQ to Rs14.2bn (-38% YoY) led by increased depreciation and higher taxes. The quarter saw an exceptional expense of Rs299mn on account of MoEF demand towards penal charges for diversion and regularization of 98Ha of forest land outside Donimalai mine.

Exhibit 1: Consolidated 4QFY24 Financial Performance (Rs bn)

Y/e March	4QFY24	4QFY23	YoY gr. (%)	3QFY24	QoQ gr. (%)	FY24	FY23	YoY gr. (%)
Net Sales	64.9	58.5	10.9	54.1	20.0	213.1	176.7	20.6
Raw Material	(0.9)	(2.4)	NA	0.5	(263.4)	5.8	1.3	345.3
<i>% of Net Sales</i>	<i>-1.4</i>	<i>-4.1</i>		<i>1.0</i>		<i>2.7</i>	<i>0.7</i>	
Staff Costs	4.7	4.6	2.3	4.0	17.8	16.3	15.3	6.3
<i>% of Net Sales</i>	<i>7.2</i>	<i>7.8</i>		<i>7.4</i>		<i>7.6</i>	<i>8.7</i>	
Royalty & cess	30.7	26.2	17.0	23.2	32.2	92.1	77.3	19.3
<i>% of Net Sales</i>	<i>47.3</i>	<i>44.8</i>		<i>42.9</i>		<i>43.2</i>	<i>43.7</i>	
Freight & Selling Expenses	1.0	1.0	4.8	0.9	17.2	3.4	2.6	28.7
<i>% of Net Sales</i>	<i>1.6</i>	<i>1.7</i>		<i>1.6</i>		<i>1.6</i>	<i>1.5</i>	
Other Expenses	8.3	7.5	11.6	5.4	53.8	22.6	19.6	14.9
<i>% of Net Sales</i>	<i>12.9</i>	<i>12.8</i>		<i>10.0</i>		<i>10.6</i>	<i>11.1</i>	
Total Expenditure	43.9	36.9	18.9	34.0	28.9	140.2	116.1	20.7
EBITDA	21.0	21.6	(2.8)	20.1	4.7	72.9	60.5	20.5
<i>Margin (%)</i>	<i>32.4</i>	<i>37.0</i>		<i>37.1</i>		<i>34.2</i>	<i>34.3</i>	
Depreciation	1.1	0.9	18.5	0.8	34.9	3.5	3.4	4.3
Other income	4.2	(0.1)	(4,835)	3.4	24.5	13.7	7.7	78.5
EBIT	24.1	20.6	17.0	22.6	6.6	83.1	64.9	28.2
Interest	0.2	0.1	81.8	0.3	(33.2)	0.8	0.8	4.0
PBT	23.9	20.5	16.6	22.3	7.1	82.3	64.1	28.4
Extraordinary income/(expense)	(0.3)	12.4	NA	(2.5)	NA	(2.8)	12.4	NA
PBT (After EO)	23.6	32.9	(28.2)	19.8	19.3	79.5	76.5	4.0
Tax	9.4	10.1	(6.5)	5.1	85.9	23.8	21.1	12.7
<i>% PBT</i>	<i>40.0</i>	<i>30.7</i>		<i>25.7</i>		<i>29.9</i>	<i>27.6</i>	
Reported PAT	14.2	22.8	(37.8)	14.7	(3.7)	55.7	55.4	0.6
Profit from associates	(0.1)	(0.1)	NA	0.1	NA	(0.0)	0.6	NA
Minority interest	(0.0)	0.0	NA	(0.0)	NA	(0.0)	0.0	NA
Profit after associates and MI	14.1	22.7	(37.8)	14.8	(4.8)	55.8	56.0	(0.4)
Adjusted PAT	14.4	14.2	1.2	16.5	(12.5)	57.7	45.8	26.2

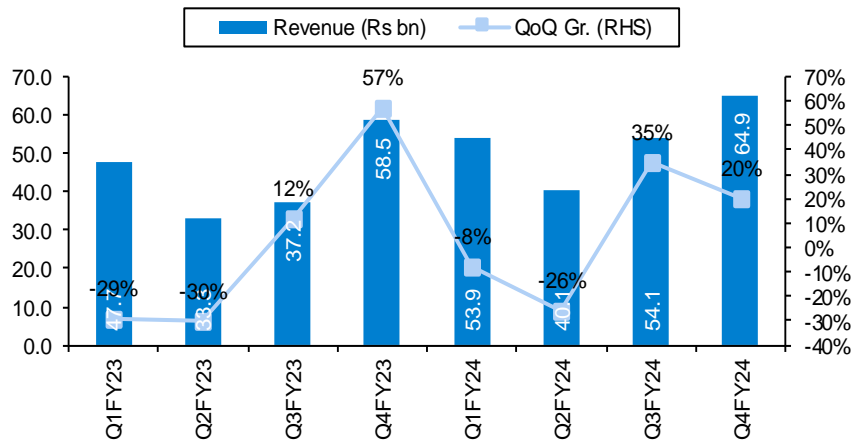
Source: Company, PL

Exhibit 2: Operating matrix

Particulars	4QFY24	4QFY23	YoY gr. (%)	3QFY24	QoQ gr. (%)	FY24	FY23	YoY gr. (%)
Sales volume (mt)	12.51	12.41	0.8	11.39	9.8	44.5	38.2	16.3
Realization/t (Rs)	5,187	4,669	11.1	4,679	10.9	4,750	4,568	4.0
EBITDA/t (Rs)	1,680	1,742	(3.6)	1,762	(4.6)	1,641	1,584	3.6

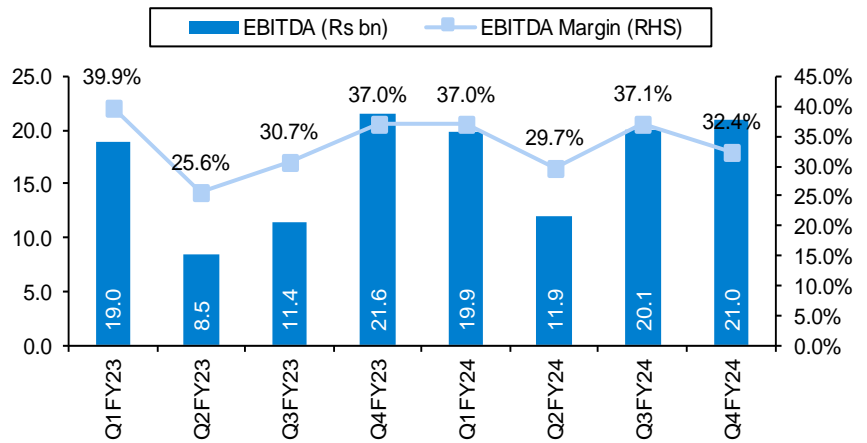
Source: Company, PL

Exhibit 3: Revenue increased 20% QoQ led by volume and realization growth



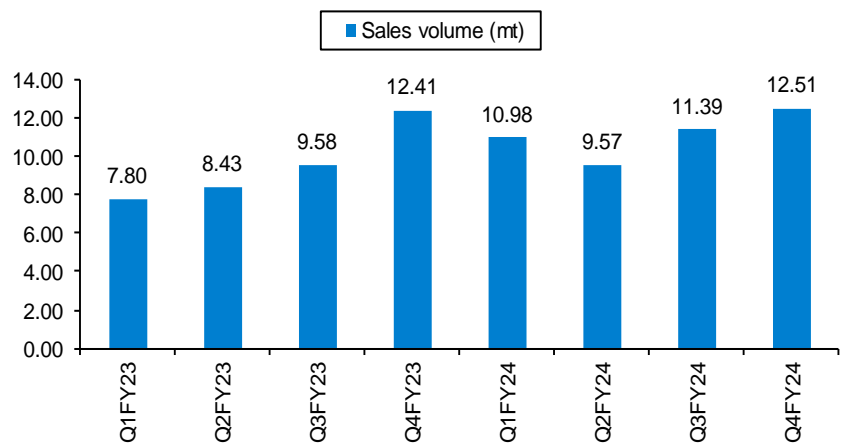
Source: Company, PL

Exhibit 4: EBITDA grew just 5% QoQ due to higher operating costs



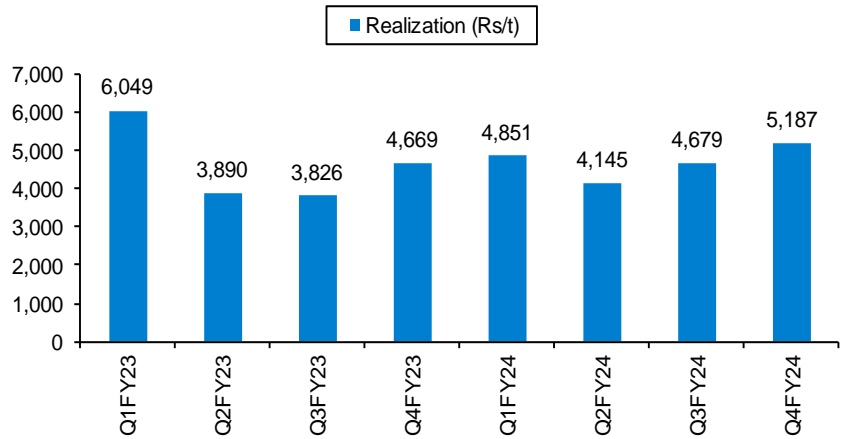
Source: Company, PL

Exhibit 5: Sales volume increased 10% QoQ



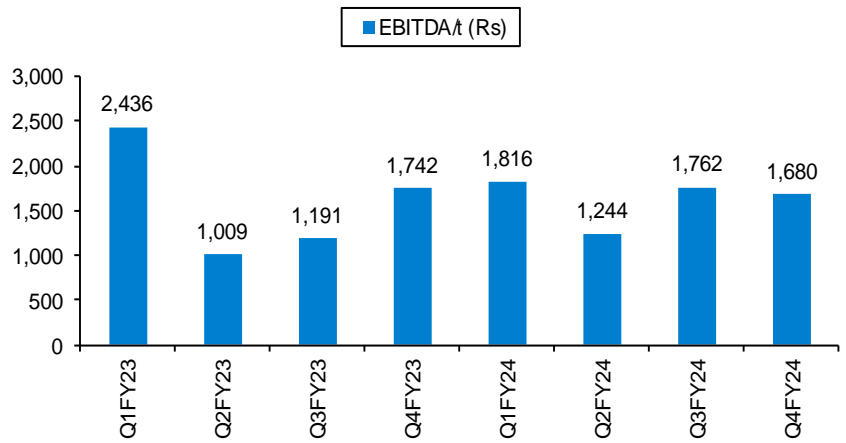
Source: Company, PL

Exhibit 6: 11% QoQ realization growth due to price hikes undertaken



Source: Company, PL

Exhibit 7: EBITDA/t declined 5% QoQ led by higher royalty charges



Source: Company, PL

Conference Call Highlights

- NMDC is expecting further approvals for extension at Kumaraswamy to 10mtpa from c. 8.5mtpa.
- FY25 Capex guidance is Rs ~20bn which can be increased by Rs15bn as NMDC is trying to pursue a land parcel at Vizag. The peak capex outlay is expected to be Rs80-90bn per year starting FY27 till FY31 on Rs500bn capex envisaged on various projects to reach 100mtpa mining capacity.
- FY25 and FY26 production is expected to be ~50mt and ~54mt.
- In FY25, NMDC expects incremental volumes from Kumaraswamy (1.5mt) and Bachelu (2mt).
- Cash and cash equivalence on 31st Mar'24 and currently stands at Rs89bn and Rs92bn respectively.
- Royalty as a % of sales is expected to be 43%.
- NMDC Steel is expected to get breakeven in 2QFY25.
- Volume guidance for NMDC Steel for FY25 is 1.8-2mtpa and shall breakeven at 1.7mt.
- Non-interest bearing advances of Rs25bn and Rs13bn outstanding for iron ore supplies owed by NMDC Steel is expected to be received from 2Q onwards.
- Kumaraswamy mine was shut since 8th Feb'24 due to exhaustion of EC limit.
- Employee wage hike is in the range of ~10-11%.
- Dividend payout would be ~38% for the next few years.
- Doubling of Kirandul-Kotvatsala railway line is expected to be completed by Sept'24.
- The tendering process for the capex envisaged shall begin in FY25 and the work on capex shall begin in FY26.

Financials

Income Statement (Rs bn)

Y/e Mar	FY23	FY24	FY25E	FY26E
Net Revenues	177	213	252	292
YoY gr. (%)	(31.7)	20.6	18.3	16.0
Cost of Goods Sold	(5)	(1)	-	-
Gross Profit	182	214	252	292
Margin (%)	102.8	100.4	100.0	100.0
Employee Cost	15	16	18	19
Other Expenses	106	125	143	160
EBITDA	61	73	91	113
YoY gr. (%)	(51.9)	20.5	25.0	24.2
Margin (%)	34.3	34.2	36.2	38.7
Depreciation and Amortization	3	4	4	5
EBIT	57	69	87	108
Margin (%)	32.4	32.6	34.7	36.9
Net Interest	1	1	1	1
Other Income	8	14	12	13
Profit Before Tax	76	80	99	120
Margin (%)	43.3	37.3	39.3	41.2
Total Tax	21	24	27	33
Effective tax rate (%)	27.6	29.9	27.5	27.5
Profit after tax	55	56	72	87
Minority interest	-	-	-	-
Share Profit from Associate	-	-	-	-
Adjusted PAT	46	58	72	87
YoY gr. (%)	(50.6)	24.3	24.4	21.6
Margin (%)	26.3	27.1	28.5	29.9
Extra Ord. Income / (Exp)	9	(2)	-	-
Reported PAT	55	56	72	87
YoY gr. (%)	(41.1)	0.6	28.8	21.6
Margin (%)	31.3	26.2	28.5	29.9
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	55	56	72	87
Equity Shares O/s (bn)	3	3	3	3
EPS (Rs)	15.8	19.7	24.5	29.8

Source: Company Data, PL Research

Balance Sheet Abstract (Rs bn)

Y/e Mar	FY23	FY24	FY25E	FY26E
Non-Current Assets				
Gross Block	55	60	80	120
Tangibles	55	60	80	120
Intangibles	-	-	-	-
Acc: Dep / Amortization	23	27	30	36
Tangibles	23	27	30	36
Intangibles	-	-	-	-
Net fixed assets	32	34	50	85
Tangibles	32	34	50	85
Intangibles	-	-	-	-
Capital Work In Progress	20	32	34	44
Goodwill	-	-	-	-
Non-Current Investments	9	10	10	10
Net Deferred tax assets	3	3	3	3
Other Non-Current Assets	60	63	63	63
Current Assets				
Investments	-	-	-	-
Inventories	27	28	35	36
Trade receivables	44	35	35	32
Cash & Bank Balance	71	124	132	154
Other Current Assets	-	-	-	-
Total Assets	297	354	387	453
Equity				
Equity Share Capital	3	3	3	3
Other Equity	223	254	299	354
Total Networkth	226	257	302	357
Non-Current Liabilities				
Long Term borrowings	14	16	16	16
Provisions	-	-	-	-
Other non current liabilities	-	-	-	-
Current Liabilities				
ST Debt / Current of LT Debt	-	-	-	-
Trade payables	58	81	69	80
Other current liabilities	1	3	3	3
Total Equity & Liabilities	297	354	387	453

Source: Company Data, PL Research

Cash Flow (Rs bn)

Y/e Mar	FY23	FY24	FY25E	FY26E
PBT	76	80	99	120
Add. Depreciation	3	4	4	5
Add. Interest	1	1	1	1
Less Financial Other Income	8	14	12	13
Add. Other	(5)	(10)	(12)	(13)
Op. profit before WC changes	75	73	91	113
Net Changes-WC	(36)	19	(19)	12
Direct tax	(21)	(18)	(27)	(33)
Net cash from Op. activities	18	74	45	92
Capital expenditures	(12)	(18)	(22)	(50)
Interest / Dividend Income	6	10	12	13
Others	9	(52)	-	-
Net Cash from Inv. activities	2	(61)	(10)	(37)
Issue of share cap. / premium	-	-	-	-
Debt changes	(9)	12	-	-
Dividend paid	(11)	(25)	(26)	(32)
Interest paid	(1)	(1)	(1)	(1)
Others	0	1	-	-
Net cash from Fin. activities	(21)	(13)	(27)	(33)
Net change in cash	0	0	8	22
Free Cash Flow	6	55	23	42

Source: Company Data, PL Research

Quarterly Financials (Rs bn)

Y/e Mar	Q1FY24	Q2FY24	Q3FY24	Q4FY24
Net Revenue	54	40	54	65
YoY gr. (%)	13.2	20.6	45.4	10.9
Raw Material Expenses	2	4	1	(1)
Gross Profit	52	36	54	66
Margin (%)	96.1	89.9	99.0	101.4
EBITDA	20	12	20	21
YoY gr. (%)	4.9	39.9	76.0	(2.8)
Margin (%)	37.0	29.7	37.1	32.4
Depreciation / Depletion	1	1	1	1
EBIT	19	11	19	20
Margin (%)	35.7	27.4	35.6	30.7
Net Interest	-	-	-	-
Other Income	3	3	3	4
Profit before Tax	22	14	20	24
Margin (%)	41.0	35.0	36.6	36.4
Total Tax	6	4	5	9
Effective tax rate (%)	24.9	27.0	25.7	40.0
Profit after Tax	17	10	15	14
Minority interest	-	-	-	-
Share Profit from Associates	-	-	-	-
Adjusted PAT	17	10	17	14
YoY gr. (%)	13.0	15.7	83.3	1.0
Margin (%)	30.8	25.5	30.6	22.1
Extra Ord. Income / (Exp)	-	-	(2)	-
Reported PAT	17	10	15	14
YoY gr. (%)	13.0	15.7	62.6	(37.8)
Margin (%)	30.8	25.5	27.2	21.8
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	17	10	15	14
Avg. Shares O/s (bn)	4	4	4	4
EPS (Rs)	4.2	2.6	4.2	3.6

Source: Company Data, PL Research

Key Financial Metrics

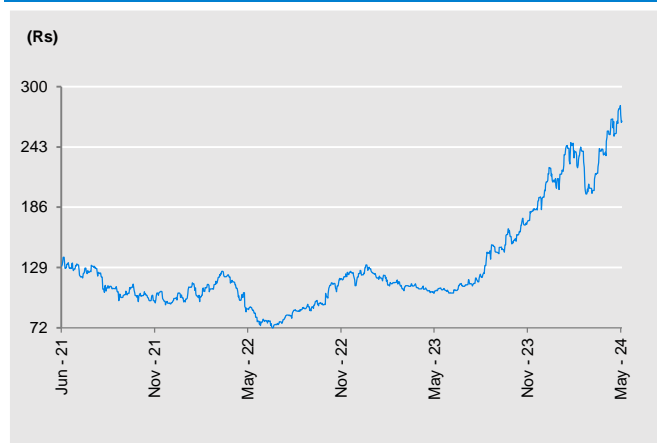
Y/e Mar	FY23	FY24	FY25E	FY26E
Per Share(Rs)				
EPS	15.8	19.7	24.5	29.8
CEPS	17.0	20.9	25.8	31.6
BVPS	77.2	87.6	103.1	121.9
FCF	2.0	18.9	7.9	14.4
DPS	-	-	-	-
Return Ratio(%)				
RoCE	29.9	32.4	33.8	35.1
ROIC	28.4	36.6	38.8	41.0
RoE	22.8	23.9	25.7	26.5
Balance Sheet				
Net Debt : Equity (x)	(0.3)	(0.4)	(0.4)	(0.4)
Net Working Capital (Days)	26	(32)	-	(15)
Valuation(x)				
PER	16.3	13.1	10.5	8.7
P/B	3.3	2.9	2.5	2.1
P/CEPS	15.2	12.4	10.0	8.2
EV/EBITDA	11.6	8.9	7.0	5.5
EV/Sales	4.0	3.0	2.5	2.1
Dividend Yield (%)	-	-	-	-

Source: Company Data, PL Research

Key Operating Metrics

Y/e Mar	FY23	FY24	FY25E	FY26E
Sales volume (mt)	38	44	48	53
Realisation/t (Rs)	4,622	4,794	5,304	5,505
EBITDA/ton (Rs)	1,584	1,641	1,918	2,133

Source: Company Data, PL Research

Price Chart
Recommendation History


No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	12-Apr-24	Accumulate	253	241
2	15-Feb-24	BUY	261	247
3	05-Jan-24	BUY	261	224
4	18-Nov-23	Accumulate	176	169
5	07-Oct-23	Accumulate	147	146
6	28-Aug-23	Accumulate	136	119

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	ACC	BUY	3,509	2,580
2	Ambuja Cement	Accumulate	683	622
3	Dalmia Bharat	Accumulate	2,077	1,806
4	Hindalco Industries	BUY	779	673
5	Jindal Stainless	Hold	712	680
6	Jindal Steel & Power	Accumulate	987	939
7	JSW Steel	Accumulate	980	902
8	National Aluminium Co.	Sell	141	183
9	NMDC	Accumulate	253	241
10	Nuvoco Vistas Corporation	Accumulate	384	335
11	Shree Cement	BUY	29,225	25,820
12	Steel Authority of India	Sell	127	174
13	Tata Steel	Accumulate	170	165
14	Ultratech Cement	BUY	11,608	9,964

PL's Recommendation Nomenclature (Absolute Performance)

Buy	: > 15%
Accumulate	: 5% to 15%
Hold	: +5% to -5%
Reduce	: -5% to -15%
Sell	: < -15%
Not Rated (NR)	: No specific call on the stock
Under Review (UR)	: Rating likely to change shortly

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