NMDC Ltd — FY 2026 Annual Report Analysis

Annual Report Analysis (Consolidated)

Source: CRORES. All figures   Crores. Pipeline: v5-Gemini — W1a → W3 → W1b+W2+W2F (parallel, notes-injected) → Merge.

Investor Snapshot

#	Analytical Point	Sentiment
1.1	India's premier public-sector merchant iron ore miner, extracting and selling high-grade lump ore and fines with a standalone environmental clearance capacity of 64.8 MTPA and producing 53.16 MT in the current fiscal year.	□Neutral
1.2	Core operational model relies on highly mechanized extraction across domestic markets (94.84% of external customer revenue base of □32,070.89 Cr), serving as a primary raw material anchor for domestic steel infrastructure.	□Neutral
1.3	Expanded downstream asset configuration includes pellet production, domestic commercial coal blocks (Tokisud North and Rohne), wind energy, and international exploratory resource holdings (92.84% stake in ASX-listed Legacy Iron Ore Ltd).	□Neutral
2.1	Revenue from operations surged 34.16% to □32,071.00 Cr, while Operating Profit Margin (OPM) diluted from 34.00% to 29.00%, delivering an Operating Profit of □9,260.00 Cr (+13.62% YoY), Net Profit of □7,450.00 Cr (+14.26% YoY), and Cash from Operating Activities of □4,996.00 Cr (covering 0.54x of EBITDA).	□Neutral
3.1	**Transformation into a quasi-financier/credit facility for the public steel sector:** Related-party trade receivables and balances from NMDC Steel Limited (NSL) and Rashtriya Ispat Nigam Limited (RINL) reached a massive □9,094.54 Cr (representing 80.6% of gross trade receivables, 28.36% of annual revenue, and 219% of Cash Flow from Operations) with zero interest charged, severely degrading cash generation quality and forcing short-term borrowing to bridge liquidity gaps.	□Negative
3.2	**Unprofitable revenue scaling via related-party trading channels:** Trading revenue of Hot Rolled (HR) Coils purchased from demerged subsidiary NSL skyrocketed by 1,890.58% to □3,960.86 Cr (representing 12.24% of total revenue) but yielded a razor-thin segment profit of just □16.31 Cr (an operating margin of 0.47%), structurally diluting consolidated OPM by 500 basis points.	□Negative
3.3	**Extreme legal and retrospective regulatory asset impairment risk:** Total contingent liabilities grew 6.5% to □24,441.86 Cr (representing 59.83% of the company's net worth), primarily anchored by the Karnataka Mineral Rights Tax dispute of □15,481.72 Cr (nearly 2x current annual PAT), which faces recovery uncertainty given the financially stressed status of key customers.	□Negative
3.4	**Logistical infrastructure delivery bottlenecks holding back volume expansion:** The "Vision 2030" execution milestone of 100 MTPA remains trapped behind delayed evacuation assets, with the 150 km Kirandul-Jagdalpur rail doubling project stalled at 97% completion (140 km executed) and the Bacheli-to-Nagarnar slurry pipeline stalled at 94% completion, missing key annual targets.	□Negative
4.1	Physical iron ore production surpassed the historic 50 MT milestone to hit a record 53.16 MT, driving core Iron Ore segment revenue up 9.20% YoY to □25,014.72 Cr (77.30% of total segment revenue).	□Positive
4.2	Asset utilization and turnover efficiency improved, as top-line revenue growth of 34.16% outpaced Gross Block growth of 16.12% (□8,577.00 Cr from □7,386.00 Cr).	□Positive
4.3	Cash from Operating Activities (CFO) witnessed a substantial nominal expansion of 163.78%, climbing to □4,996.00 Cr from the previous year's baseline of □1,894.00 Cr.	□Positive
4.4	Pre-tax operating cash flow conversion efficiency enhanced markedly, with the ratio of pre-tax operating cash conversion expanding to 0.85x compared to 0.54x in the prior fiscal period.	□Positive
4.5	Free Cash Flow (FCF) successfully reverted to positive territory at □1,826.00 Cr, rebounding strongly from a cash deficit of □-1,336.00 Cr recorded in the prior year.	□Positive
4.6	Unlocked new non-ore resource streams by operationalizing the Tokisud North coal block in Jharkhand in January 2026, driving "All Other Segments" revenue up 274.98% to □3,386.58 Cr.	□Positive
4.7	Secured long-term volume runway via the Bailadila Deposit-4 greenfield mining joint venture under the NMDC-CMDC JV, which successfully achieved its groundbreaking milestone in February 2026.	□Positive
4.8	Customer demand visibility strengthened, evidenced by a 66.92% surge in advances received from customers, climbing from □618.62 Cr to □1,032.58 Cr.	□Positive
4.9		□Positive

#	Analytical Point	Sentiment
	Future capital risk decreased slightly as approved future infrastructure capital commitments fell 9.3% from □4,253.41 Cr to □3,857.11 Cr, marking the transition of major packages out of commitment stages.	
4.10	Retained a highly valuable asset option with 224.58 Lakh Tons of accumulated slimes carried at zero value, offering non-monetized volume optionality for downstream processing.	□Positive
4.11	Key Management Personnel (KMP) total remuneration remained strictly contained at □3.56 Cr, accounting for an ultra-low 0.038% of EBITDA, well below the analytical benchmark ceiling of 1.3%-2.6%.	□Positive
4.12	Geographic market reach logged absolute growth with Export revenues expanding to □1,137.33 Cr (3.55% of total revenue) and Australian overseas revenue rising to □517.19 Cr (1.61% of total revenue).	□Positive
4.13	Average collection timelines showed relative operational improvement with debtor days dropping to 105 days from 118 days in the previous year.	□Positive
5.1	Consolidated Operating Profit Margin (OPM) deteriorated by 500 basis points, shrinking to 29.00% from 34.00% in the prior year due to the dilutive influx of low-margin coil trading.	□Negative
5.2	Overall cash conversion cycle lengthened severely, increasing to 247 days from a prior baseline of 118 days, driven by intense working capital blockages.	□Negative
5.3	Gross trade receivables expanded to □9,206.00 Cr, with severe aging deterioration as receivables outstanding for over 6 months hit □6,210.49 Cr, representing 55.1% of the total balance.	□Negative
5.4	Provisioning requirements escalated to offset credit risk, forcing an accumulation in the provision for doubtful debts to □2,070.00 Cr (up from □1,958.00 Cr).	□Negative
5.5	Severe liquidity exposure via related-party allocations, with NMDC Steel Ltd (NSL) carrying □4,508.23 Cr in trade receivables plus a □1,851.39 Cr unrecovered demerger balance.	□Negative
5.6	Elevated customer insolvency risk exposure through associate entity Rashtriya Ispat Nigam Limited (RINL), which accounts for □4,586.31 Cr in trade receivables, backed only by unexecuted "revival plans" questioned by auditors.	□Negative
5.7	Short-term borrowings through aggressive bill discounting operations ballooned by 55.79% to □5,874.10 Cr (up from □3,770.45 Cr) to bridge related-party credit gaps.	□Negative
5.8	Total leverage increased as aggregate borrowings climbed to □6,407.00 Cr, pushing the consolidated Debt-to-Equity (D/E) ratio up to 0.19x.	□Negative
5.9	Cash distribution outpaced internal cash generation quality, as total dividends paid of □3,077.00 Cr exceeded the Free Cash Flow of □1,826.00 Cr, indicating distribution was debt-financed.	□Negative
5.10	Aggressive cash absorption via supplier channels, with Other Current Assets spiking 78.28% to □3,338.74 Cr, driven by a 109% surge in advances to suppliers reaching □2,300.45 Cr.	□Negative
5.11	Capital allocation inefficiencies expanded within Capital Work-in-Progress (CWIP), which rose to □6,749.00 Cr (14% of total assets), with 25% or □1,686.62 Cr stagnating and aged over 3 years.	□Negative
5.12	Overall capital efficiency diluted, with Return on Capital Employed (ROCE) decreasing to 28.00% from the previous year's return of 30.00%.	□Negative
5.13	Non-discretionary statutory costs remained highly burdensome, with Royalty & Other Levies consuming □11,082.25 Cr, or 34.56% of total revenue, exposing EBITDA to high price benchmark volatility.	□Negative
5.14	Mandatory social overhead costs weighed on margins, with Local Area Development & Enabling Facilities expenditures creating a fixed structural drain of □772.07 Cr.	□Negative
5.15	Severe material breakdown in internal controls, resulting in a Qualified Auditor Opinion on Internal Financial Controls (IFC) following the unauthorized removal of 280 tons (7 trucks) of ore from the Kumaraswamy mine (□0.11 Cr financial impact).	□Negative
5.16	Critical compliance and internal audit failure, with the system audit trail facility disabled at the database level for approximately 8 months (May 2025 to January 2026), violating statutory Rule 3(1) and introducing data tampering risks.	□Negative

#	Analytical Point	Sentiment
5.17	Non-compliance with SEBI LODR board governance rules, as independent directors represent only 36.36% (4/11) against the 50% mandate for an executive chairman, alongside a complete absence of women directors (0 count).	□Negative
5.18	Missed physical execution guidance, with final iron ore production of 53.16 MT falling 4% short of the management's stated annual guidance of 55.4 MT.	□Negative
5.19	Complete strategic abandonment of international diversification assets, as mining operations at Mt Celia gold project in Australia ceased in December 2025 due to right-to-mine expiration.	□Negative
5.20	Operational failure at overseas joint ventures, with ICVL's Benga mine in Mozambique logging major production failures following the termination of its primary mining service contract.	□Negative
5.21	Corporate Social Responsibility (CSR) failure, with a historical FY23 shortfall of □60.93 Cr forced into a mandatory transfer to the PM Cares Fund due to non-deployment.	□Negative
6.1	Related-party credit concentration threshold: Monitor net trade receivables from RINL and NSL from the current baseline of □9,094.54 Cr against the critical risk trigger threshold of >□11,000 Cr.	□Neutral
6.2	Logistical infrastructure commissioning dates: Track final integration of the 150 km Kirandul-Jagdalpur rail doubling (currently 97% complete / 140 km) and the Phase 1 Bacheli-to-Nagarnar slurry pipeline (currently 94% complete).	□Neutral
6.3	Mid-term physical production volumes: Track output progress against the FY 2026-27 internal targeting guidance of 60 MTPA on the route to the Vision 2030 goal of 100 MTPA.	□Neutral
6.4	Legal and tax liability outcomes: Watch the judicial resolution of the □15,481.72 Cr Karnataka Mineral Rights Tax contingent liability and the new □1,620.50 Cr Railway Transit Pass penalty.	□Neutral
6.5	Board composition remediation: Monitor alignment with SEBI LODR mandates to lift independent director counts above 50% (from 36.36%) and add at least 1 woman director (from 0).	□Neutral
6.6	Short-term debt optimization: Track the stabilization or reduction of unsecured short-term bill discounting debt (currently □5,874.10 Cr) and the recovery rate of the □1,851.39 Cr residual demerger balance from NSL.	□Neutral
6.7	IT control compliance audits: Confirm re-enabling and continuous logging validation of database-level audit trails to remediate the previous 8-month tracking failure.	□Neutral

1. BUSINESS OVERVIEW

Segment Performance

Segment	Revenue (□Cr)	% of Total	YoY %	Margin/ Result (□ Cr)	What Drives It
Iron Ore	25,014.72	77.30%	+9.20%	9,845.62	Highly mechanized extraction, beneficiation, and commercial disposal of high-grade lump ore and fines across domestic markets and long-term supply arrangements.
Trading of HR Coil	3,960.86	12.24%	+1,890.58%	16.31	Monetization of business channels to purchase hot-rolled coils from demerged subsidiary NMDC Steel Limited (NSL) and re-sell into competitive markets.
All Other Segments	3,386.58	10.46%	+274.98%	158.32	Operation of downstream pellet production facilities, wind energy generation, and newly operationalized domestic commercial coal blocks.

Note: Segment values include inter-segment sales totaling 291.27 Cr for the current fiscal period. Percentages are calculated against the consolidated total segment revenue base of 32,362.16 Cr.

Geographical Revenue Split

Geography	Revenue (₹ Cr)	% of Total	Direction	Exposure/Risk
Domestic	30,416.37	94.84%	Up	Concentrated exposure to the domestic infrastructure spending cycle and financial credit risks associated with state-linked steel undertakings.
Export	1,137.33	3.55%	Up	Susceptibility to international price benchmarks for pellets, ocean freight market spikes, and domestic regulatory export tariffs.
Overseas (Australia)	517.19	1.61%	Up	Exploratory execution risks, foreign currency volatility, and evolving compliance parameters under Western Australian mining statutes.

Note: Table is compiled based on external customer locations from an absolute revenue base of 32,070.89 Cr, as disclosed in the primary segment reporting notes.

- **Cost Structure and Key Drivers:** The operational framework is anchored by a C1 cash cost profile that ranks among the lowest globally due to high-grade geology and mechanization. Primary volatility is dictated by contract mining rates, heavy machinery maintenance, and diesel consumption, paired with statutory District Mineral Foundation (DMF) and National Mineral Exploration Trust (NMET) levies. Controllable logistics costs are targeted for reduction via downhill gravity conveyors and slurry pipelines.
- **Industry Position and Market Dynamics:** As India’s premier merchant iron ore miner, the company produced 53.16 MT this fiscal year. It serves as a raw material anchor for domestic steel, though it faces evolving competition as private steelmakers scale captive blocks, potentially reducing open-market dependency.
- **Capacity and Utilisation Performance:** Standalone environmental clearance (EC) capacity is 64.8 MTPA, supplemented by 17 MTPA via JVs. Current standalone utilization is ~82%, indicating that statutory EC limits function as an immediate ceiling on expansion. Effective capacity is bounded by the execution of downstream crushing, screening, and loading packages.
- **Expansion Projects and Capital Execution:** The "Vision 2030" target of 100 MTPA relies on logistical links: the 150 km Kirandul-Jagdalpur rail doubling (97% complete) and the Bacheli-to-Nagarnar slurry pipeline (94% complete). The Bacheli brownfield expansion aims to lift capacity from 20.8 MTPA to 35.0 MTPA.
- **Acquisitions, Divestments, and International Assets:** Resource positioning includes a 92.84% stake in ASX-listed Legacy Iron Ore Ltd and 25.94% in International Coal Ventures Pvt. Ltd. (ICVL). ICVL’s Benga mine in Mozambique logged production failures this year due to mining service contract terminations.
- **Order Book and Demand Visibility:** Visibility is secured by India’s target of 300 MTPA crude steel capacity by 2031 and high government infrastructure Capex (>₹12.2 lakh Cr). Friction arises from Bailadila sector rail bottlenecks where third-party mine allocations compete for evacuation capacity.
- **Growth Drivers:** Volume momentum targets 60 MT for the upcoming fiscal. Diversification includes entering the coal sector via Tokisud North and Rohne blocks, and greenfield mining at Bailadila Deposit-4 under the NMDC-CMDC JV.

2. MANAGEMENT COMMENTARY & OUTLOOK

- Management is targeting 100 MTPA by 2030 to support national steel production goals, framing this as an essential mission for industrialization.

- The immediate growth plan involves stabilizing record production and pursuing a 60 MT target for FY 2026-27 through brownfield expansion and greenfield JVs like NCL Deposit-4.
- Joint venture progress includes the February 2026 groundbreaking of Bailadila Deposit-4 and definitive feasibility studies for the Mount Bevan magnetite project in Australia with Hancock Prospecting.
- Digitalization is a core pillar, with the Digital Project Management Unit (DPMU) tracking all packages over ₹30 Cr and the SAP S/4 HANA (Project Kalpataru) implementation reaching full maturity to enhance "Decision Intelligence."
- The demand environment is viewed as robust, driven by the Union Budget's ₹12.2 Lakh Cr capital outlay and the PLI scheme for specialty steel, which directly expands the iron ore base.
- Fuel cost volatility and geopolitical supply shocks are cited as the primary threats to operational margins, given the diesel-heavy nature of the mining fleet.
- Management acknowledges that global steel demand growth is slowing (projected at 2.5% in developing economies excluding China), but views India as a structural outlier.
- Challenges include logistical bottlenecks on the KK rail line and slurry pipeline, alongside the potential adoption of state-level levies like Mineral Bearing Land and Mineral Rights Taxes.
- Execution strategy has shifted to "release gates," admitting that mining capacity is currently trapped behind processing and evacuation constraints that are 94-97% complete.
- Low-margin trading of HR Coils (12.5% of revenue) is framed as leveraging business capabilities, though it serves to facilitate the demerged NMDC Steel Limited (NSL).
- Quasi-fiscal support for NSL and RINL, including deferred payment mechanisms up to ₹4,000 Cr, is qualitatively justified by management as a means to improve rake turnaround times.

The Credibility Ledger

What they said last year	What happened	Verdict
"FY26 production guidance of 55.4 MT"	Achieved 53.16 MT production.	**LATE** (Missed by 4%)
"Slurry Pipeline Phase 1 expected in FY26"	Reached 94% progress; "expected to start in 2026".	**LATE**
"KK Line doubling is 84% complete"	Reached 97% overall progress (140/150 km).	**LATE**
"Successful entry into Gold production (Australia)"	Mt Celia mining ceased in Dec 2025; right-to-mine ended.	**ABANDONED**
"Tokisud North in Jharkhand to commence mining"	Mining operations started in January 2026.	**DELIVERED**

- **Management Tone:** The verdict is promotional yet evasive. While celebratory regarding the "historic" 50 MT milestone, the narrative becomes clinical when discussing execution delays, using sophisticated terms like "integrated release gates" to shield the lag in infrastructure commissioning. Management dwells on CSR and national development goals to deflect from the worsening related-party liquidity drain, which is framed as a "beneficial synergy."

3. FINANCIAL ANALYSIS

3.1 Financial Statements

Source: Screener.in — all monetary values in Crores. Use these numbers directly.

Basis: CONSOLIDATED.

P&L Statement (□Crores)

Line Item	Mar 2026	Mar 2025
Sales -	32,071.00	23,906.00
Sales Growth %	34.16	12.19
Expenses -	22,811.00	15,755.00
Material Cost % -	16.88	2.34
Raw material cost	5,177.00	460.00
Change in inventory	236.00	99.00
Manufacturing Cost %	39.01	45.38
Employee Cost %	6.05	7.51
Other Cost %	9.19	10.67
Operating Profit	9,260.00	8,150.00
OPM %	29.00	34.00
Other Income -	1,488.00	1,591.00
Exceptional items	-1.00	-3.00
Other income normal	1,488.00	1,593.00
Interest	121.00	178.00
Depreciation	477.00	420.00
Profit before tax	10,149.00	9,143.00
Tax %	27.00	28.00
Net Profit -	7,450.00	6,520.00
Profit from Associates	35.00	-19.00
Minority share	0.00	11.00
Exceptional items AT	0.00	-1.00
Profit excl Excep	7,450.00	6,521.00
Profit for PE	7,450.00	6,532.00
Profit for EPS	7,450.00	6,531.00
Profit Growth %	14.00	13.00
EPS in Rs	8.47	7.43
Dividend Payout %	41.00	44.00

Balance Sheet (Crores)

Line Item	Mar 2026	Mar 2025
Equity Capital	879.00	879.00
Reserves	33,183.00	28,817.00
Borrowings -	6,407.00	4,276.00
Long term Borrowings	0.00	0.00
Short term Borrowings	5,874.00	3,770.00
Lease Liabilities	533.00	505.00
Other Liabilities -	7,851.00	7,035.00
Non controlling int	14.00	11.00
Trade Payables	406.00	321.00
Advance from Customers	0.00	0.00
Other liability items	7,431.00	6,702.00
Total Liabilities	48,320.00	41,007.00
Fixed Assets -	5,856.00	5,038.00
Land	2,077.00	1,773.00
Building	1,577.00	1,223.00
Plant Machinery	1,607.00	1,526.00
Equipments	1,305.00	1,086.00
Furniture n fittings	415.00	385.00
Railway sidings	34.00	34.00
Vehicles	74.00	72.00
Intangible Assets	94.00	94.00
Other fixed assets	1,393.00	1,193.00
Gross Block	8,577.00	7,386.00
Accumulated Depreciation	2,721.00	2,347.00
CWIP	6,749.00	4,737.00
Investments	1,372.00	978.00
Other Assets -	34,344.00	30,253.00
Inventories	2,522.00	2,638.00
Trade receivables -	9,206.00	7,745.00
Receivables over 6m	6,210.00	5,762.00
Receivables under 6m	5,066.00	3,940.00
Prov for Doubtful	-2,070.00	-1,958.00
Cash Equivalents	11,387.00	10,089.00
Loans n Advances	3,040.00	1,834.00
Other asset items	8,189.00	7,948.00
Total Assets	48,320.00	41,007.00

Cash Flow Statement (Crores)

Line Item	Mar 2026	Mar 2025
Cash from Operating Activity -	4,996.00	1,894.00
Profit from operations	9,976.00	8,633.00
Receivables	-1,579.00	-4,290.00
Inventory	115.00	129.00
Payables	85.00	-91.00
Loans Advances	-69.00	-60.00
Other WC items	-647.00	41.00
Working capital changes	-2,095.00	-4,271.00
Interest paid	0.00	0.00
Direct taxes	-2,885.00	-2,468.00
Cash from Investing Activity -	-3,842.00	306.00
Fixed assets purchased	-3,171.00	-3,230.00
Fixed assets sold	0.00	0.00
Capital WIP	0.00	0.00
Investments purchased	0.00	0.00
Investments sold	0.00	0.00
Interest received	878.00	1,190.00
Acquisition of companies	-324.00	-39.00
Other investing items	-1,225.00	2,385.00
Cash from Financing Activity -	-1,092.00	-2,225.00
Proceeds from borrowings	2,106.00	414.00
Repayment of borrowings	0.00	0.00
Proceeds from deposits	0.00	0.00
Interest paid fin	-121.00	-177.00
Dividends paid	-3,077.00	-2,460.00
Financial liabilities	0.00	0.00
Other financing items	0.00	-1.00
Net Cash Flow	63.00	-25.00
Free Cash Flow	1,826.00	-1,336.00
CFO/OP	85.00	54.00

Key Ratios (₹Crores)

Line Item	Mar 2026	Mar 2025
Debtor Days	105.00	118.00
Inventory Days	170.00	0.00
Days Payable	27.00	0.00
Cash Conversion Cycle	247.00	118.00
Working Capital Days	67.00	55.00
ROCE %	28.00	30.00

3.2 Financial Analysis Summary

- **Revenue** from operations surged 34.16% to **₹32,071.00 Cr**, yet **PAT** grew by a disproportionately lower 14.26% to **₹7,450.00 Cr**, signaling a divergence where top-line growth did not translate to equivalent bottom-line expansion.
- The **OPM %** diluted from 34.00% to 29.00% primarily due to a massive shift toward low-margin trading, where **Trading of HR Coils** revenue jumped from **₹198.98 Cr** to **₹3,960.86 Cr** at a razor-thin margin of 0.47%.
- The core Iron Ore segment remains burdened by high statutory costs, with **Royalty & Other Levies** consuming **₹11,082.25 Cr**, or 34.56% of **Revenue**, making **EBITDA** highly sensitive to IBM price notifications.
- **Cash Conversion Cycle** deteriorated sharply to 247 days from 118 days, driven by **Trade Receivables** reaching **₹9,206.00 Cr**, of which 99% is due from Central PSUs and related parties (NSL and RINL).
- Liquidity quality is strained as **CFO** of **₹4,996.00 Cr** covered only 0.54x of **EBITDA**, leading the company to surge **Short term Borrowings** via bill discounting to **₹3,674.10 Cr** to fund operational gaps.
- **CWIP** expanded to **₹6,749.00 Cr** (14% of **Total Assets**), with 25% (**₹1,686.62 Cr**) aged over 3 years, indicating that significant capital is stalled in delayed infrastructure projects, impacting **ROCE %** which diluted to 28.00%.
- **Total Debt** rose to **₹6,407.00 Cr**, pushing the **Debt/Equity** ratio to 0.19. While **Interest Coverage** is high at 72.59x, the reliance on short-term unsecured loans to manage related-party dues creates a structural liquidity mismatch.
- **Other Current Assets** spiked 78.28% to **₹3,338.74 Cr**, driven by a 109% surge in **Advances to Suppliers** (**₹2,300.45 Cr**), suggesting aggressive capex prepayment or vendor financing that further absorbed **CFO**.
- **Other Expenses** included **₹772.07 Cr** for mandatory social and infrastructure spends (Local Area Development & Enabling Facilities), which act as structural rather than discretionary costs.
- The dominant financial theme of the year is the transformation of a high-margin miner into a quasi-financier for the steel sector, sacrificing cash flow quality and margin profile to support stressed state-linked entities.

3.3 Contingent Liabilities & Commitments

Item (note's own caption)	Current yr (□ Cr)	Prior yr (□ Cr)	Change	What it means
Karnataka Mineral Rights Tax	15,481.72	13,975.07	+10.8%	Retrospective tax risk; nearly 2x current PAT.
Common Cause (Odisha Judgment)	1,623.44	1,623.44	0.0%	Penalty for production beyond EC limits.
Penalty (No Railway Transit Pass)	1,620.50	0.00	New	New penalty for dispatches without RTP.
GST & Service Tax Disputes	1,465.88	1,456.58	+0.6%	Ongoing tax litigations in various stages.
Capital Commitments	3,857.11	4,253.41	-9.3%	Approved future Capex for infrastructure.
Performance BG (Deposit 13)	504.23	504.23	0.0%	Regulatory guarantees for mine development.
Total Contingent Liabilities	**24,441.86**	**22,956.12**	**+6.5%**	Aggregate legal and regulatory exposure.

- The Karnataka Mineral Rights Tax is a "black swan" risk pending Presidential assent; while contractually recoverable, the stressed status of customers like RINL makes actual recovery uncertain.
- The □1,620.50 Cr penalty regarding Railway Transit Passes (RTP) is being contested on the grounds that all royalties were paid in advance, implying no loss to the exchequer.
- Capital commitments remain high but slightly lower YoY, reflecting the transition of major projects from the commitment stage toward the "94-97% completion" phase.

3.9 Earnings Quality & Forensic Checks

Read	Question	Verdict	Confidence	Checked
1	Is the growth real?	***WATCH***	high	6/6
2	Does profit become cash?	***WATCH***	high	5/5
3	Is the P&L being manufactured?	***WATCH***	high	6/6
4	Is value leaving to insiders?	***FLAG***	high	8/8
5	Can the balance sheet take a hit?	***FLAG***	high	5/5

Read 1 — Is the growth real? → WATCH

Signal	Prior	This year	Δ	Status	Quantified impact	Evidence
Receivables growth vs sales growth	Rs 9,702.11 Cr	Rs 11,276.64 Cr	+16.23%	□ CLEAN	Healthy relative to 34.2% sales growth.	Note 2.12.2
Receivables ageing / ECL provisioning	Rs 5,762.28 Cr	Rs 6,210.49 Cr	+7.78%	□ WATCH	55.1% of receivables > 6 months.	Note 2.12.3
Unbilled revenue, contract assets	nil	Rs 35.99 Cr	n/a	□ CLEAN	Negligible impact.	Note 2.12.3
Revenue from related parties %	not disclosed	Rs 7,782.26 Cr	n/a	□ WATCH	24.27% of Revenue from NSL/RINL.	Note 2.49.4
Customer concentration	not disclosed	47.0%	n/a	□ WATCH	High reliance on three major customers.	Note 2.49.2
Advances from customers trend	Rs 618.62 Cr	Rs 1,032.58 Cr	+66.92%	□ CLEAN	Indicates healthy demand visibility.	Note 2.30

Mechanism: Revenue growth is underpinned by higher volumes and pricing, but quality is strained by extreme customer concentration and high exposure to stressed PSU related-parties (NSL/RINL). **Aggregate impact:** Related-party receivables (RINL and NSL) now total Rs 9,094.54 Cr, representing 80.6% of gross trade receivables. **Direction:** deteriorating

Read 2 — Does profit become cash? → WATCH

Signal	Prior	This year	Δ	Status	Quantified impact	Evidence
CFO vs clean EBITDA conversion	0.23x	0.54x	+134.78%	□ WATCH	Conversion remains below 0.6x floor.	Cash Flow
Pre-tax operating conversion	0.54x	0.85x	+57.41%	□ CLEAN	Working-capital efficiency is improving.	Cash Flow
Inventory absorption of cash	Rs 129.23 Cr	Rs 115.40 Cr	-10.70%	□ CLEAN	Minor cash tailwind.	Cash Flow
Working-capital movement	Rs -4,271 Cr	Rs -2,095 Cr	-50.95%	□ WATCH	Primarily driven by receivables build-up.	Cash Flow
Cash tax paid vs book tax	0.95x	1.06x	+11.58%	□ CLEAN	No aggressive tax-timing manipulation.	Note 2.46

Mechanism: Cash conversion is hindered by a persistent build-up in trade receivables and advances to suppliers despite high sector margins. **Aggregate impact:** Working capital has absorbed Rs 6,366 Cr of cash over the last two years. **Direction:** stable

Read 3 — Is the P&L being manufactured? → WATCH

Signal	Prior	This year	Δ	Status	Quantified impact	Evidence
Exceptional items impact	Rs -3.00 Cr	Rs -1.00 Cr	-66.67%	□ CLEAN	Exceptional items are negligible.	P&L
Non-operating income % of PBT	17.42%	14.66%	-15.84%	□ WATCH	Driven by interest on bank deposits.	Note 2.34
Deferred tax movement	Rs -30.36 Cr	Rs 73.42 Cr	n/a	□ CLEAN	Minimal P&L impact.	Note 2.46
Provision reversals credited	Rs 110.05 Cr	nil	-100%	□ CLEAN	No provision reversals aided profit.	Note 2.49.9
Depreciation/useful-life change	not disclosed	Rs 119.92 Cr	n/a	□ CLEAN	Spares threshold change boosted PBT.	Note 2.51.3

Mechanism: The P&L is largely clean of manufacturing levers; profit growth is driven by core operations and interest income. **Direction:** stable

Read 4 — Is value leaving to insiders? → FLAG

Signal	Prior	This year	Δ	Status	Quantified impact	Evidence
Related-party transaction quantum	Rs 5,944.6 Cr	Rs 6,690.8 Cr	+12.55%	□FLAG	Massive financing of NSL via dues.	Note 2.49.4
New RP counterparties/ Trading	Rs 197.09 Cr	Rs 3,942.2 Cr	+1900%	□ WATCH	Low-margin trading (0.47%) for NSL.	Note 2.52
KMP remuneration vs EBITDA	Rs 3.54 Cr	Rs 5.37 Cr	+51.69%	□ CLEAN	Remuneration is not a leakage concern.	Note 2.49.4
Loans/Advances to group	Rs 2,151.39 Cr	Rs 1,851.39 Cr	-13.94%	□ WATCH	Residual demerger dues remain high.	Note 2.49.4
Interest on RP Receivables	not disclosed	nil	n/a	□FLAG	Receivables are non-interest bearing.	Note 2.49.3.b
CSR spend shortfall	Rs 123.36 Cr	Rs 65.86 Cr	-46.61%	□ WATCH	Shortfall forced to PM Cares Fund.	Note 2.51.10

Mechanism: NMDC is effectively subsidizing the demerged entity NSL by providing interest-free credit and conducting low-margin trading activity for NSL's benefit. **Direction:** deteriorating

Read 5 — Can the balance sheet take a hit? → FLAG

Signal	Prior	This year	Δ	Status	Quantified impact	Evidence
CWIP ageing > 3 years	nil	Rs 1,686.62 Cr	n/a	□ WATCH	25% of CWIP is aged > 3 years.	Note 2.3
Dividend vs free cash flow	Rs -1,336 Cr	Rs 3,077 Cr	n/a	□FLAG	FCF (Rs 1,826 Cr) doesn't cover Divs.	Cash Flow
Contingent liabilities % NW	58.70%	59.83%	+1.13%	□FLAG	Karnataka Tax risk alone is 2x PAT.	Note 2.48
Borrowing terms/ Short-term	Rs 3,770.45 Cr	Rs 5,874.10 Cr	+55.79%	□ WATCH	Entire debt is short-term unsecured.	Note 2.26
Title deeds not in name	not disclosed	3,021 sq.mt	n/a	□ WATCH	Pending deeds for mining leases.	Note 2.2

Mechanism: The balance sheet is stressed by massive contingent liabilities and a mismatch between cash generation and dividends, compounded by qualified internal controls. **Direction:** deteriorating

Material notes captured | Note | Discloses | Prior | This year | Impact | Signal | |---|---|---|---|---|---| | 2.51.13 | ***Audit trail facility was not enabled at database level for ~8 months.*** | nil | Partial failure | Violation of rules; tampering risk. | negative | | 2.51.11 | ***Unauthorized removal of 280 tons (7 trucks) from Kumaraswamy mine.*** | nil | Rs 0.11 Cr | Confirmed breakdown in gate controls. | negative | | 2.51.14 | **224.58 Lakh Tons of slimes held at zero value.** | 224.58 LT | 224.58 LT | Massive non-monetized volume option. | positive | | 2.51.10 | ***CSR FY23 shortfall of Rs 60.93 Cr transferred to PM Cares.*** | - | Rs 60.93 Cr | Failure to deploy mandatory CSR. | negative |

4. MANAGEMENT & GOVERNANCE

A. Auditor Report & Key Audit Matters

- **Audit Opinion:** Qualified Opinion on Internal Financial Controls (IFC) due to dispatch control lapses; Unmodified Opinion on Financials.
- **KAM 1 (Revenue & Royalty):** Complexity in "Fe" grade adjustments and IBM rate synchronization; risk of aggressive recognition before grade finalization.
- **KAM 2 (CWIP):** Stalled infrastructure projects (□6,748.58 Cr) involving significant estimation and impairment risk.
- **KAM 3 (Trade Receivables):** 99% of □9,206.19 Cr receivables are from Central PSUs. Auditor questioned reliance on "revival plans" for RINL as a basis for non-provisioning.
- **Auditor Qualifications:** Material weakness at one mine regarding truck movement and dispatch controls, indicating pilferage risks.
- **Audit Trail Lapses:** Feature not enabled at database level; application-level logs missing on new servers (May 2025 to Jan 2026).

B. Related Party Transactions

Party	Relationship	Nature	Amount (□Cr)	Concern
NMDC Steel Ltd (NSL)	Common Control	Trade Receivables	4,508.23 Cr	***Credit Concentration***
NMDC Steel Ltd (NSL)	Common Control	Demerger Balance	1,851.39 Cr	***Liquidity Blockage***
NMDC Steel Ltd (NSL)	Common Control	Sale of Iron Ore	3,304.07 Cr	High Dependency
RINL	Associate	Trade Receivables	4,586.31 Cr	***Solvency Risk***
NMDC-CMDC Ltd	Joint Venture	Investment	304.64 Cr	Capital Outflow
Karnataka Vijaynagar	Subsidiary	Loans/Advances	643.15 Cr	Value Trapped

- **Financial Dependency:** RPT receivables (NSL + RINL) represent 28.36% of Revenue and 219% of Operating Cash Flow. NMDC effectively acts as a long-term interest-free financier for NSL.

C. Shareholding

- **Promoter (President of India):** 60.79%
- **FIIs:** 12.82%
- **DIIs (incl. LIC 4.89%):** 18.25%

- **Public/Other:** 8.14%
- **Promoter Pledge:** 0.00%

D. Board Composition

- **Total Directors:** 11.
- **Independent %:** 36.36% (4/11). **Non-Compliance** with SEBI LODR requirement for 50% independence with an Executive Chairman.
- **Women Directors:** 0. **Non-Compliance** with SEBI LODR mandate for at least one woman director.

E. KMP Compensation

- **Total KMP Remuneration:** ₹3.56 Cr (0.038% of **EBITDA**).
- **Benchmark:** Remuneration is well below the analytical benchmark of 1.3–2.6% of **EBITDA**, following strict PSU pay scales.
- **Statutory Position:** The company cited compliance with the §197 ceiling (11% of net profit). Total pay is negligible relative to the **Operating Profit** growth of 13.6%.

F. Capital Allocation & Capex

- **Dividends:** ₹3,077.23 Cr (61.59% of **CFO**).
- **Capex Coverage: CFO** covers Capex by 1.57x, but high dividends combined with working capital blockage led to a ₹2,103 Cr surge in short-term debt.
- **Efficiency: Revenue** grew 34.16% while Gross Block grew 16.12%, signaling improved asset turnover as legacy projects begin contribution.

G. Revenue Recognition Policy

- Revenue is recognized at a "point in time" at dispatch or auction conclusion. Forensic risk arises from **Variable Consideration**, where adjustments for "Fe" grades post-delivery allow for potential earnings smoothing or aggressive upfront reporting before final quality audits.

H. Risks

- **Regulatory:** Karnataka Mineral Rights Tax (₹15,481.72 Cr) represents a potential 46% Net Worth wipe-out.
- **Credit:** 99% of receivables tied to two stressed PSUs (NSL/RINL), risking massive ECL write-downs.
- **Compliance:** Audit trail failure at the database level and qualified IFC opinion on mine dispatch monitoring (unauthorized removal of 7 trucks).
- **Execution:** 25% of **CWIP** aged >3 years, indicating capital inefficiency and impairment risk.

5. SCORECARD

Part A: Scorecard

Dimension	Rating (1–5)	Delta	Key Evidence	One-line Rationale
Business Quality	4	→	53.16 MT Production; Global low-cost curve	Strong moat and volume growth offset by sector cyclicality.
Financial Health	3	↓	D/E 0.19x; CFO/EBITDA 0.54x	Low debt but liquidity is impaired by related-party blockage.
Earnings Quality	2	↓	Qualified IFC; CFO < PAT; 0.47% Trading Margin	Qualified opinion and margin dilution from NSL support activities.
Management & Governance	2	↓	Board Independence <50%; 0 Women Directors	Regulatory non-compliance and massive RP credit concentration.
Capital Allocation	3	→	Dividend > FCF; ROCE 28%	Consistent payouts but funded by debt due to WC stress.

BUSINESS POSITIVES * □**Record Production:** Surpassed 50 MTPA milestone reaching 53.16 MT physical production. * □**Cost Leadership:** Maintained position in the lowest quartile of the global iron ore cost curve. * □**Asset Turnover:** Revenue growth (34%) outpaced Gross Block growth (16%). * □**Hidden Inventory:** 224.58 Lakh Tons of slimes held at zero value (potential call option). * □**New Revenue Streams:** Operationalized Tokisud North coal block and expanded pellet sales.

BUSINESS NEGATIVES / CONCERNS * □**Liquidity Drain:** Related-party receivables from NSL/RINL reached □9,094 Cr (80% of total). * □**Internal Control Failure:** Qualified Auditor Opinion on IFC due to unauthorized ore removal. * □**Statutory Compliance:** Non-compliant board composition (independence and gender). * □**Margin Dilution:** Top-line growth driven by 0.47% margin HR Coil trading. * □**Retrospective Tax Risk:** □15,481 Cr contingent liability for Karnataka Mineral Rights Tax. * □**Audit Integrity:** Audit trail disabled at database level for significant part of FY26.

OVERALL SCORECARD SUMMARY NMDC remains a structurally sound, low-cost mining giant, but its financial performance is currently being cannibalized by its role as a liquidity provider for stressed state-linked steel entities. The deteriorating trajectory is evidenced by the dilution in earnings quality (CFO < PAT), qualified internal controls, and governance non-compliance, all while carrying a contingent liability that could wipe out nearly half of its net worth.

Part B: Governance Check Matrix

#	Check	Status	Evidence
1	Audit opinion clean?	□	Qualified on IFC; Unmodified on Financials
2	Promoter pledge = 0?	□	0.00% Pledge
3	KMP pay < 5% of PAT?	□	Total KMP pay □3.56 Cr is ~0.05% of PAT
4	RPT quantum < 5% of revenue?	□	Trade RPTs alone are 28.36% of Revenue
5	Board > 50% independent?	□	36.36% Independent (Non-compliant)
6	At least 1 woman director?	□	0 Women Directors (Non-compliant)
7	No statutory dues outstanding?	□	Undisputed dues paid (Note 2.48)
8	No fraud reported?	□	Unauthorized removal of 7 ore trucks noted
9	Audit trail enabled?	□	Disabled at database level (Rule 3(1) violation)
10	Frequent Auditor change	□	No frequent changes noted
Final line: "Total: 4/10 □— Governance Rating: 2"			

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6. HOW IT HAS BEEN DOING

6.1 The multi-year picture

Metric	5-yr mean	Range	This year	vs trend
Revenue growth %	20.23	-31.96–68.93	34.15	better than trend
EBITDA margin %	41.68	34.09–57.19	28.87	worst in window
PAT margin %	32.45	26.13–40.83	23.23	worst in window
CFO to EBITDA ratio	0.58	0.23–1.01	0.54	in line with trend
ROCE %	34.0	29.0–50.0	28.0	worst in window
Debtor days	72.2	42.0–118.0	105.0	worse than trend
Cash conversion cycle (days)	72.2	42.0–118.0	247.0	worst in window
Net debt to EBITDA ratio	-0.74	-1.23–-0.44	-0.54	worse than trend
Interest coverage ratio	205.73	43.43–503.59	72.59	worse than trend
Other income % of PBT	13.35	3.95–26.21	14.66	in line with trend
Free cash flow (□Crore)	3238.0	-1336.0–5744.0	1825.0	worse than trend

6.2 Breaks from trend

- **THE BREAK** — Revenue growth rose to 34.15% in FY2026 (with sales increasing to ₹32,071.00 Crore from ₹23,906.00 Crore), breaking above its prior five-year mean baseline of 20.23% (historical revenue range: ₹15,370.00 Crore to ₹25,965.00 Crore) by 13.92 percentage points.
- **THE MECHANISM** — According to Section 3.2 (Financial Analysis Summary), sales jumped to ₹32,071.00 Crore from ₹23,906.00 Crore, driven by strong core iron ore production volumes (53.16 MT) and an aggressive scale-up in the trading of hot-rolled coils from demerged subsidiary NMDC Steel Limited, which expanded from ₹198.98 Crore to ₹3,960.86 Crore.
- **REAL OR ONE-OFF** — durable improvement
- **WHAT SETTLES IT** — Next year's revenue growth percentage.

- **THE BREAK** — EBITDA margin % dropped to 28.87% in FY2026 (operating profit of ₹9,260.00 Crore on sales of ₹32,071.00 Crore), breaking below its prior five-year mean baseline of 41.68% (historical operating profit range: ₹6,060.00 Crore to ₹12,619.00 Crore) by 12.81 percentage points.
- **THE MECHANISM** — As detailed in Section 3.2 (Financial Analysis Summary), operating profit margins diluted because top-line growth was heavily driven by the low-margin trading of hot-rolled coils (₹3,960.86 Crore out of total sales of ₹32,071.00 Crore) at a razor-thin margin of 0.47% (operating result of ₹16.31 Crore), coupled with core iron ore operations facing high statutory burdens from royalty and other levies consuming ₹11,082.25 Crore.
- **REAL OR ONE-OFF** — deterioration
- **WHAT SETTLES IT** — Next year's EBITDA margin percentage.

- **THE BREAK** — PAT margin % dropped to 23.23% in FY2026 (net profit of ₹7,450.00 Crore on sales of ₹32,071.00 Crore), breaking below its prior five-year mean baseline of 32.45% (historical net profit range: ₹5,567.00 Crore to ₹9,429.00 Crore) by 9.22 percentage points.
- **THE MECHANISM** — Section 3.2 (Financial Analysis Summary) explains that net profit expansion lagged behind top-line growth because the revenue spike was dominated by low-margin trading activity (₹3,960.86 Crore at a 0.47% margin, generating ₹16.31 Crore in profit) designed to facilitate NMDC Steel Limited, causing net profit to grow by only 14.26% (to ₹7,450.00 Crore from ₹6,520.00 Crore) while sales grew 34.16% (to ₹32,071.00 Crore).
- **REAL OR ONE-OFF** — deterioration
- **WHAT SETTLES IT** — Next year's PAT margin percentage.

- **THE BREAK** — ROCE % fell to 28.0% in FY2026 (pre-tax profit of ₹10,149.00 Crore), breaking below its prior five-year mean baseline of 34.0% (prior range: 29.0% to 50.0%) by 6.0 percentage points.
- **THE MECHANISM** — As stated in Section 3.2 (Financial Analysis Summary), capital efficiency was compromised because significant capital became stalled in delayed infrastructure developments, with capital work-in-progress (CWIP) growing to ₹6,749.00 Crore (accounting for ₹6,749.00 Crore out of total assets of ₹48,320.00 Crore), of which 25.0% or ₹1,686.62 Crore is aged over 3 years.
- **REAL OR ONE-OFF** — deterioration
- **WHAT SETTLES IT** — Next year's ROCE percentage.

- **THE BREAK** — Debtor days increased to 105.0 days in FY2026, breaking above its prior five-year mean baseline of 72.2 days (prior range: 42.0 days to 118.0 days) by 32.8 days.
- **THE MECHANISM** — Section 3.2 (Financial Analysis Summary) documents that trade receivables climbed to ₹9,206.00 Crore, with 99.0% of this balance (representing ₹9,094.54 Crore) due from Central PSUs and

related parties (NMDC Steel Limited and RINL), indicating deep credit concentration and delayed realization from public steel entities.

- **REAL OR ONE-OFF** — deterioration
- **WHAT SETTLES IT** — Next year's debtor days.

- **THE BREAK** — The cash conversion cycle expanded to 247.0 days in FY2026, breaking far above its prior five-year mean baseline of 72.2 days (prior range: 42.0 days to 118.0 days) by 174.8 days.
- **THE MECHANISM** — According to Section 3.2 (Financial Analysis Summary) and Section 3.9 (Read 1), collections slowed severely as related-party receivables from NMDC Steel Limited and RINL grew to ₹9,094.54 Crore (representing 80.6% of gross trade receivables of ₹11,276.64 Crore), while inventory days stood at 170 days, trapping liquidity inside state-linked entities.
- **REAL OR ONE-OFF** — deterioration
- **WHAT SETTLES IT** — Next year's cash conversion cycle in days.

- **THE BREAK** — The net debt to EBITDA ratio rose to -0.54 in FY2026 (net debt of -₹4,980.00 Crore against EBITDA of ₹9,260.00 Crore), breaking above its prior five-year mean baseline of -0.74 (prior range: -1.23 to -0.44) by 0.20.
- **THE MECHANISM** — As outlined in Section 4 (Capital Allocation & Capex), the company sustained heavy dividend payouts of ₹3,077.23 Crore despite its operational cash being blocked by related-party receivables, forcing it to expand short-term borrowings to ₹5,874.10 Crore to manage its working capital gap.
- **REAL OR ONE-OFF** — deterioration
- **WHAT SETTLES IT** — Next year's net debt to EBITDA ratio.

- **THE BREAK** — Interest coverage dropped to 72.59x in FY2026 (interest expense of ₹121.00 Crore), breaking below its prior five-year mean baseline of 205.73x (prior range: 43.43x to 503.59x) by 133.14.
- **THE MECHANISM** — According to Section 3.1 and 3.2, the company increased its short-term unsecured borrowings via bill discounting to ₹3,674.10 Crore to bridge the liquidity blockage caused by non-paying related parties, which inflated finance interest costs to ₹121.00 Crore.
- **REAL OR ONE-OFF** — deterioration
- **WHAT SETTLES IT** — Next year's interest coverage ratio.

- **THE BREAK** — Free cash flow fell to ₹1,825.00 Crore in FY2026, breaking below its prior five-year mean baseline of ₹3,238.00 Crore (prior range: -₹1,336.00 Crore to ₹5,744.00 Crore) by ₹1,413.00 Crore.
- **THE MECHANISM** — Section 3.1 and 3.2 show that operating cash flow was deeply constrained by working capital movements which absorbed ₹2,095.00 Crore due to the related-party receivable buildup, while fixed asset additions required a cash outflow of ₹3,171.00 Crore.
- **REAL OR ONE-OFF** — deterioration
- **WHAT SETTLES IT** — Next year's free cash flow in ₹Crore.

6.3 What has not changed

- **Quasi-Fiscal Burden and Related-Party Exposure** — The company serves as a primary liquidity tap and financier for struggling state-linked steel undertakings (NSL and RINL). This pattern is in its multi-year progression; in the prior year (FY2025), trade receivables and inter-corporate balances with these entities exceeded ₹9,800.00 Crore (with related party exposure representing 41.23% of revenue, or ₹9,855.00 Crore out of ₹23,906.00 Crore). In the current year (FY2026), related-party receivables from NSL and RINL grew further to ₹9,094.54 Crore, representing 80.60% of gross trade receivables (₹9,094.54 Crore out of ₹11,276.64 Crore) and 28.36% of total revenue (₹9,094.54 Crore out of ₹32,071.00 Crore).

- **Structural Evacuation Bottlenecks** — Iron ore volume movement remains structurally bounded or "rail-locked" by delays in major logistical links. This pattern is in its multi-year continuation, visible in the persistent aging of capital work-in-progress (CWIP) over 3 years, which stood at ₹1,136.74 Crore in FY2025 and rose to 25.00% of total CWIP in FY2026 (representing ₹1,686.62 Crore out of a total CWIP of ₹6,749.00 Crore). This reflects unresolved execution hurdles on the Kirandul-Jagdalpur rail doubling (97% complete, or 140 km out of 150 km) and the Bacheli slurry pipeline (94% complete).
- **Regulatory and Litigation Friction** — The company faces structural legal and tax friction inherent to operating as a state merchant miner in India. This pattern is in a multi-year escalation, led by the Karnataka Mineral Rights Tax contingent liability which rose by an absolute increase of ₹1,506.65 Crore (moving from ₹13,975.07 Crore in FY2025 to ₹15,481.72 Crore in FY2026). Other long-term disputes like the Common Cause litigation remain static at ₹1,623.44 Crore across both years.
- **EBITDA Margin Compression** — The company has experienced three consecutive years of EBITDA margin compression (FY2024: 34.20% [EBITDA of ₹7,308.00 Crore on sales of ₹21,308.00 Crore], FY2025: 34.10% [EBITDA of ₹8,150.00 Crore on sales of ₹23,906.00 Crore], FY2026: 28.90% [EBITDA of ₹9,260.00 Crore on sales of ₹32,071.00 Crore]), marking this as the third year of this downward trend, primarily driven by high regulatory costs (Royalty & Other Levies consuming ₹11,082.25 Crore in FY2026) and the dilution from low-margin coil trading.
- **Weak Operating Cash Conversion** — Over the full 10-year period, the company exhibits a sustained trait of poor cash conversion. Cumulative cash from operations (CFO) stands at ₹41,943.00 Crore against cumulative EBITDA of ₹74,500.00 Crore, a long-term conversion ratio of 0.56x that sits permanently below the healthy sector floor of 0.60x.
- **Audit Trail Lapses** — There is a repeated failure to maintain database-level integrity logs within the accounting software environment. Following flags in the prior year, the current fiscal year marks a recurring period of vulnerability, with Note 2.51.13 confirming that the audit trail facility was disabled at the database level for approximately 8 months from May 2025 to January 2026.
- **Promoter Control and Ownership Structure** — The President of India maintains a rigid and unchanging promoter shareholding pattern fixed at 60.79% (representing equity capital of ₹879.00 Crore) across all observed quarters.

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7. INVESTOR VERDICT

THESIS: NMDC is a world-class low-cost mining asset currently operating as a high-risk credit facility for the Indian public steel sector, creating a disconnect between record production volumes and actual cash availability. **RATIONALE:** While iron ore demand and production are at record highs, the company's cash flow is trapped in ₹9,094 Cr of non-interest-bearing receivables from NSL and RINL, forcing the company to borrow short-term to fund dividends. **RE-EVALUATE WHEN:** The Slurry Pipeline is commissioned (lowering C1 costs) OR Related Party Receivables from NSL/RINL exceed 35% of annual revenue. **BULL CASE:** Commissioning of logistical "release gates" (KK Line/Pipeline) allows for 60 MTPA+ throughput with structural margin expansion and debt-free dividend coverage. **BEAR CASE:** Crystallization of the ₹15,481 Cr Karnataka Mineral Rights Tax liability, which cannot be recovered from the already-stressed customer base, leading to a massive equity impairment. **KEY MONITORABLE:** Net Trade Receivables from RINL and NSL: Current ₹9,094 Cr → Watch threshold > ₹11,000 Cr.

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