NMDC Ltd — Aug 2022 Quarterly Analysis

1. VERDICT & BUSINESS QUALITY SNAPSHOT

The punchline. Read this first — it frames everything below.

Result: Weak Miss **One-line:** Record Q1 production volumes were entirely offset by a sharp decline in sales volumes and massive margin compression resulting from a new, heavy "Additional/Premium Royalty" burden.

Dimension	This Quarter	Signal / Evidence	Sentiment
Beat/Miss vs Guidance / Prior Quarter	Weak Miss	PAT down 54% YoY; Sales volume down 17% YoY despite record production.	□
Earnings Quality	Low (Regulatory/Levy driven)	Margins decimated by □1,228 Cr in Additional/ Premium Royalties.	□
Guidance Confidence	Neutral	Volume targets achieved on production, but conversion to sales is lagging.	□
Management Credibility	Neutral	First entry — baseline quarter.	□
Business Quality Signal	Deteriorating	EBITDA margins collapsed from 66% to 43% YoY due to realization drops and levies.	□
Key Q&A Exchange	N/A — no concall conducted or available.	PPT_ONLY mode.	□
The Street's Primary Anxiety	Impact of Export Duties & Royalty Leys	Realizations fell 11% YoY; royalty costs rose significantly.	□
Capital Cycle Stage	Investment / Harvesting	Simultaneous record production and heavy investment in subsidiaries (□987 Cr).	□
Margin / Return Ratio Trajectory	Deteriorating	ROCE and RONW (non-annualized) are significantly lower YoY.	□
Pricing Power	Eroding	Realizations per ton fell from □6,823 to □6,050 YoY.	□
FCF Conversion & Quality	Weak	EBITDA down 53%; High tax/royalty outgo suggests low FCF conversion.	□
Competitive Moat Signals	Stable	Low-cost producer status remains, but government take-home is increasing.	□
Balance Sheet Strength	Strong	Maintains significant equity base and investment portfolio despite profit dip.	□
Working Capital Efficiency	Deteriorating	Production (89 LT) exceeds Sales (78 LT), implying significant inventory buildup.	□
Mgmt Guidance Track Record	First entry	Baseline quarter.	□
Key Vulnerability / Red Flag	Royalty Escalation	Regulatory levies now consume 49.5% of Revenue from Operations.	□
Management Tone	Not applicable	No concall provided.	□

Key Takeaways (Positives & Negatives): * **Positives:** NMDC achieved its highest-ever Q1 iron ore production at 89.20 LT, demonstrating operational resilience at the pit head. The company maintains a robust balance sheet with a total investment of □987.43 Cr across strategic subsidiaries like NINL and Legacy Iron Ore. * **Negatives:**

The financial thesis is under pressure as EBITDA margins collapsed by 2,300 bps YoY. While production was a record, sales volumes plummeted 17% YoY, indicating a disconnect between output and market off-take. The primary concern is the fiscal burden; the introduction of "Additional/Premium Royalty" (□1,228 Cr) has fundamentally altered the cost structure, leading to a 54% decline in PAT. * **Forward-looking Watchpoint:** Investors must monitor the realization-to-levy gap. If iron ore prices continue to soften while fixed royalty percentages remain high, NMDC's role as a high-margin cash cow is at risk of transitioning into a utility-like margin profile.

---

2. BUSINESS PERFORMANCE

2A. KEY METRICS

DATA SOURCE: Concall not available — commentary absent.

Metric	Current Qtr (FY23 Q1)	YoY Change	QoQ Change	Trend	Mgmt Commentary
Production Volume (LT)	89.20	0.12% ↑	-35.6% ↓	→	Volume growth driven by KDL and KIOM mines.
Sales Volume (LT)	78.01	-17.4% ↓	-36.5% ↓	↓	Volume/Pricing: Volume decline driven by lower domestic off-take.
Realization/Ton (□)	6,050	-11.3% ↓	12.8% ↑	↓	Pricing: Realizations pressured YoY by global price cooling and export duties.
Opex/Ton (□)	3,803	49.9% ↑	12.5% ↑	↓	Driven primarily by □1,228 Cr additional royalty levy.
Revenue (□Cr)	4,767	-26.8% ↓	-28.9% ↓	↓	Combined impact of lower volumes and realizations.
EBITDA (□Cr)	2,046	-52.7% ↓	-32.2% ↓	↓	Margin compression due to royalty and price drops.
EBITDA Margin %	43%	-2,300 bps	-200 bps	↓	Significant contraction from 66% in CPLY.
PAT (□Cr)	1,469	-54.0% ↓	-19.1% ↓	↓	Bottom line impacted by higher expense base.
ROCE (%)	5.86%*	-955 bps	-532 bps	↓	*Non-annualized; reflects lower EBIT.
Net Debt / (Cash) (□Cr)	(Not stated)	First entry	First entry	→	Interest income suggests significant net cash position.
Working Capital (Inventory LT)	11.19	+300% ↑	-28.1% ↓	↓	Production vs Sales gap suggests inventory buildup of 11.19 LT.

2B. SEGMENT BREAKDOWN

Segment	Revenue (□Cr)	YoY Growth	Margin	Trend	vs Avg	Key Development
Iron Ore	4,720	-26.8%	43.4%	↓	In-line	Contributes 99% of total revenue; volumes down 17%.
Others	47	-21.7%	N/A	↓	N/A	Pellet/Other activities remain peripheral to the thesis.

---

3. MANAGEMENT OUTLOOK & EXECUTION TRACKER

Dimension	Category	Management Target / Claim	Required Run-Rate / Mathematical Feasibility	Historical Delivery	Risk Flag
Guidance	Volume / Capacity	Highest ever Q1 Production (89.20 LT)	Achieved. Needs ~103 LT/ qtr to match FY22 total production of 400+ LT.	Delivered on production; missed on sales conversion.	High: Inventory buildup.
Strategy	Capital Allocation	Investment in NINL (Neelachal Ispat Nigam Ltd)	□100.6 Cr invested to date.	First entry	Medium: Diversification risk.
Strategy	Capital Allocation	International Mining (Legacy Iron Ore)	□214.7 Cr invested in Australian subsidiary.	First entry	Medium: Execution in foreign jurisdictions.
Macro	Input Cost / RM Prices	Royalty Burden Management	N/A — Non-discretionary statutory cost.	First entry	High: Royalty now represents ~50% of revenue.

(Section 4 not applicable — investor presentation only. No concall conducted or available.)

---

5. WHAT CHANGED vs PRIOR QUARTER

First entry — no prior quarter to compare.

STOP HERE.