NMDC Ltd — Aug 2023 Quarterly Analysis

1. VERDICT & BUSINESS QUALITY SNAPSHOT

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

Result: Strong Beat **One-line:** A record-breaking operational performance (highest-ever Q1 production and sales) combined with the critical de-risking of the Nagarnar Steel Plant commissioning reinforces the long-term growth thesis of NMDC 2.0.

Dimension	This Quarter	Signal / Evidence	Sentiment
Beat/Miss vs Guidance / Prior Quarter	Strong Beat	Revenue up 13% YoY; EBITDA up 11% YoY; Production up 20% YoY.	□
Earnings Quality	High (Core driven)	Growth driven by massive volume expansion (+20% YoY) offsetting lower realizations (-20% YoY).	□
Guidance Confidence	Strong	Management confident in 47–49 MT for FY24 and "NMDC 2.0" 100 MT goal by 2030.	□
Management Credibility	Strong	Delivered on the long-awaited commissioning of the Nagarnar Steel Plant (Blast Furnace) on Aug 12.	□
Business Quality Signal	Improving	Transitioning from a pure-play miner to a miner-manufacturer while expanding international mining optionality.	□
Key Q&A Exchange	Q# 11 - Pricing Transparency	Mgmt aligned pricing with IBM to insulate from regulatory vagaries; highly credible shift.	□
The Street's Primary Anxiety	Pricing & Steel Plant	Management confirmed commissioning and clarified the new "all-inclusive" pricing mechanism.	□
Capital Cycle Stage	Investment / Harvesting	Moving into the harvesting phase for Nagarnar while starting a new capex cycle for 100 MT capacity.	□
Margin / Return Ratio Trajectory	Stable	EBITDA margins held at 42% despite realization drops, thanks to volume-led operating leverage.	□
Pricing Power	Stable	Realizations bottomed out; new pricing structure aligns with merchant miners (OMC/private).	□
FCF Conversion & Quality	Strong	Net cash of □11,279 Cr provides a significant cushion for the upcoming □2,000 Cr+ capex.	□
Competitive Moat Signals	Widening	Lowest C1 cost producer globally; adding "sweetheart" lithium/gold deals in Australia.	□
Balance Sheet Strength	Strong	Zero-debt status maintained with massive cash reserves (33% of market cap).	□
Working Capital Efficiency	Improving	Sales (109.75 LT) exceeded production (107.03 LT), liquidating inventory.	□
Mgmt Guidance Track Record	Reliable	Consistent delivery on volume growth promises over the last three quarters.	□
Key Vulnerability / Red Flag	Export Duty/Logistics	30% export duty makes domestic sales the only viable route; heavy reliance on 3-4 major customers.	□
Management Tone	Very Confident	"Best Q1 ever since inception"; "Squeezing 60 years of experience into 5 years of performance."	□

Key Takeaways (Positives & Negatives): * **Positives:** NMDC delivered its best-ever Q1 performance, with production and sales jumping 20% and 41% YoY respectively. The commissioning of the Nagarnar Steel Plant (NSL) removes a multi-year overhang. Strategically, the "all-inclusive" pricing shift aligns NMDC with the broader market, reducing IBM-linked price shocks. Overseas, the start of gold mining and a "risk-free" lithium exploration deal in Australia add massive optionality. * **Negatives:** Realizations remain down 20% YoY (₹4,850 vs ₹6,050), though they have stabilized QoQ (+4%). Customer concentration remains a risk, with three buyers accounting for 70% of sales. Export duties continue to shut the "export window" for profitability, leaving the company vulnerable to domestic demand fluctuations. * **Forward-looking Watchpoint:** The disinvestment pace of the Nagarnar Steel Plant (NSL) by DIPAM is the primary catalyst to watch. Management indicated that commissioning would accelerate the process.

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2. BUSINESS PERFORMANCE

2A. KEY METRICS DATA SOURCE: PPT figures used as primary source. Concall used for commentary.

Metric	Current Qtr (Q1FY24)	YoY Change	QoQ Change	Trend	Mgmt Commentary
Production Volume (LT)	107.03	20% ↑	-24% ↓	↑	Volume driven by best-ever Q1 operational efficiency.
Sales Volume (LT)	109.75	41% ↑	-12% ↓	↑	Sales exceeded production, liquidating inventory.
Realization/Ton (₹)	4,850	-20% ↓	4% ↑	↓	Realizations pressured YoY by global prices but stabilized QoQ.
Revenue (₹Cr)	5,395	13% ↑	-8% ↓	↑	Volume expansion (+41%) fully offset realization decline (-20%).
EBITDA (₹Cr)	2,276	11% ↑	6% ↑	↑	Operating leverage from volume growth protected margins.
EBITDA Margin %	42%	-100 bps ↓	+500 bps ↑	→	Margin resilient despite ₹1,233 Cr additional royalty.
PAT (₹Cr)	1,650	12% ↑	-41% ↓	↑	YoY growth reflects operational strength; QoQ drop due to Q4 exceptional.
ROCE (%)	7%	Not stated	Not stated	→	Not annualized in document.
Net Debt / (Cash) (₹Cr)	(11,279)	Not stated	Not stated	→	Significant cash balance maintained.
Operational Exp (₹Cr)	1,079	10% ↑	-32% ↓	→	Lower operational expenses QoQ due to efficiency.
Additional Royalty (₹Cr)	1,233	0% →	-12% ↓	→	Fixed burden linked to IBM prices.

2B. SEGMENT BREAKDOWN

Segment	Revenue (₹Cr)	YoY Growth	Margin	Trend	vs Avg	Key Development
Iron Ore	5,323	13%	42%	↑	In-line	Contributes 98.6% of revenue; driven by volume.
Other Income	72	13%	N/A	→	N/A	Includes interest income from cash reserves.

3. MANAGEMENT OUTLOOK & EXECUTION TRACKER

Dimension	Category	Management Target / Claim	Required Run-Rate	Historical Delivery	Risk Flag
Guidance	Volume	47–49 MT for FY24.	Needs ~12.5 MT/qtr for rest of year.	Historically delivered 35-40 MT.	Medium (Logistics)
Guidance	Capex	□1,600–2,000 Cr for FY24.	Already spent □606 Cr by Aug 15.	On track.	Low
Guidance	Steel Plant	1 MT production in H2 FY24.	~166k tonnes per month.	Just commissioned (Aug 12).	Medium (Ramp-up)
Strategy	Global Mining	Start Gold mining in Australia.	Sept-end 2023.	Approvals in final stage.	Low
Strategy	NMDC 2.0	100 MT capacity by 2030.	CAGR of ~11% needed.	Ambitious, first year of 2.0.	High (Execution)

4. ANALYST Q&A

Q#	Rel.	Analyst / Firm	Theme Cluster	Category	Underlying Concern	Management Response & Investment Implication	Evaded	Cred.	Verdict
1	4.5	Alok Deora / Motilal Oswal	Pricing Structure	Financials	Difference between new "all-inclusive" prices and old basic prices.	Mgmt explained loading is ~21% for royalties, but they have introduced a "correlation factor" to hedge against IBM price fluctuations. Implication: Provides better predictability and protection against lagging IBM price adjustments.	None	4.0	Clear Alignment
2	5.0	Alok Deora / Motilal Oswal	Steel Plant	Strategy	Status of Nagarnar Steel Plant (NSL) commissioning and disinvestment.	Blast furnace commissioned Aug 12; plant to be fully online by Aug 23. Implication: De-risks the asset for DIPAM's disinvestment process, which mgmt expects to pick up pace now.	Names of bidders	4.5	Major De-risking
3	4.0	Pallav Agarwal / Antique	Coal Blocks	Business Overview	Commissioning timeline for Tokisud and Rohne coal blocks.	Tokisud mining expected by end FY24 or early FY25; Rohne by mid-FY25. Implication: Diversification into coal will reduce concentration in iron ore and fuel	None	3.5	Specific Timeline

Q#	Rel.	Analyst / Firm	Theme Cluster	Category	Underlying Concern	Management Response & Investment Implication	Evaded	Cred.	Verdict
						captive needs.			
4	4.0	Sumangal Nevatia / Kotak	Volume Breakup	Mgmt Outlook	Breakup of the 10 MT volume addition target.	2 MT from Karnataka (Oct), 2 MT from Bacheli (Sept), and shifting to 365-day working/3rd shift. Implication: Multi-pronged approach to hitting 50 MT target makes guidance more credible.	None	4.0	Quantified Path
5	4.5	Sumangal Nevatia / Kotak	International	Strategy	Stake and potential in Australian Gold and Lithium assets.	100% ownership in gold (starting Sept); Lithium is a "sweetheart deal" with 75% off-take rights and zero risk. Implication: Significant long-term "option value" in critical minerals with zero capital downside for NMDC.	None	4.0	High Optionality
6	4.0	Vikas Singh / Phillip Capital	Logistics	Business Overview	Railway line capacity vs. rake availability constraints.	Capacity is now 40 MT (up from 28), but rake availability is the bottleneck. Implication: Logistics remains the primary risk to achieving the 50 MT volume target.	None	4.0	Logistics Signal

Q#	Rel.	Analyst / Firm	Theme Cluster	Category	Underlying Concern	Management Response & Investment Implication	Evaded	Cred.	Verdict
7	4.0	Kamlesh Bagmar / Lotus	Legacy Iron	Strategy	Why it took 10 years to mine in Australia and the new Lithium deal.	Legacy is an exploration company; success in mining is "like a casino jackpot." Implication: Management is tempering expectations, framing Australia as an R&D/ exploration play rather than immediate cash flow.	None	3.5	Realistic Tone
8	3.5	Satinder Singh Bedi	Exports	Mgmt Outlook	Plans for iron ore exports given the 30% duty.	Netback is lower in exports than domestic, but will keep the "window open" for strategic volume reasons. Implication: Exports will be a volume-venting tool rather than a margin driver.	None	4.0	Strategic Hedge
9	4.5	Mohammed Farooq	Investor Confidence	Governance	Why stock price is unresponsive to positive news and trades on dividend yield.	Mgmt acknowledges "dividend yield" perception but is shifting focus to "capital appreciation" through capex and 100 MT growth. Implication: Transitioning NMDC from a utility-like stock to a	None	3.0	Self-Aware

Q#	Rel.	Analyst / Firm	Theme Cluster	Category	Underlying Concern	Management Response & Investment Implication	Evaded	Cred.	Verdict
						growth-oriented mining major.			
10	4.0	Mohammed Farooq	Concentration	Business Overview	Risk of 70% sales going to only three major customers.	Developing intermediate stockyards and blending yards to diversify customer base (e.g., Raigarh, Odisha). Implication: Strategic pivot to reduce buyer power; will take 3-4 years to materialize.	None	3.5	Acknowledged Risk

PATTERN FLAGS & SENTIMENT * **Theme: De-risking through Execution.** Analysts were laser-focused on the Nagarnar Steel Plant (NSL) and the 10 MT volume expansion. Management's response was confident, backed by a hard commissioning date (Aug 12) and specific technical milestones (blast furnace output). The anxiety regarding the steel plant overhang has largely been resolved, shifting focus to disinvestment. * **Theme: Strategic Diversification.** A significant portion of the call focused on Australia (Gold/Lithium) and new pricing structures. Management's "sweetheart deal" phrasing regarding Lithium and the "all-inclusive" pricing shift indicates a more sophisticated approach to risk management than in prior years. * **Analyst Sentiment Verdict:** Analysts appeared cautiously optimistic. While the volume beat was applauded, skepticism remains regarding logistics (rake availability) and the long-term timeline for international assets. Management's credibility improved significantly this quarter due to the NSL commissioning and the best-ever Q1 performance.

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5. WHAT CHANGED vs PRIOR QUARTER

Comparison of Q1FY24 vs Q1FY23 (Prior Context).

What Changed	Prior Quarter (Q1FY23)	This Quarter (Q1FY24)	Direction
Sales Volume	78.01 LT	109.75 LT	41% ↑
Realization/Ton	□6,050	□4,850	20% ↓
Inventory Status	Buildup (Prod > Sales)	Liquidation (Sales > Prod)	□Improving
Steel Plant	Under Construction	Commissioned (Blast Furnace)	□De-risked
Pricing Strategy	Basic Price Model	IBM-Aligned All-Inclusive	□Transparency ↑
EBITDA Margin	43%	42%	100 bps ↓
PAT	□1,469 Cr	□1,650 Cr	12% ↑
Guidance	Recovery Phase	"NMDC 2.0" (100 MT Target)	□Aspiration ↑
International	Exploration phase	Gold Mining Start (Sept)	□Execution ↑

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