NMDC Ltd — Feb 2024 Quarterly Analysis

1. VERDICT & BUSINESS QUALITY SNAPSHOT

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

Result: Strong Beat **One-line:** NMDC delivered a robust operational performance with record Q3 volumes and margin expansion, though the long-term thesis remains tethered to a "hurry up and wait" cycle for regulatory clearances (Kumaraswamy) and steel plant stabilization.

Dimension	This Quarter	Signal / Evidence	Sentiment
Beat/Miss vs Guidance / Prior Quarter	Strong Beat	Revenue up 45% YoY; EBITDA up 78% YoY; Volume growth of 19% YoY.	□
Earnings Quality	Moderate	Strong core operations offset by a □252 Cr exceptional penalty related to historical forest act violations.	□
Guidance Confidence	Neutral	FY24 target of 47 MT is "a tough call" depending on immediate Kumaraswamy EC clearance.	□
Management Credibility	Strong	Successfully ramped Nagarnar Steel (NSL) to 1 lakh ton monthly production; January was best-ever.	□
Business Quality Signal	Improving	9-month turnover growth (25%) is entirely volume-driven, proving demand resilience despite flat realizations.	□
Key Q&A Exchange	Q# 11 - Steel Breakeven	Breakeven requires 1.5-1.6 lakh tons/month; targeted by Q1 FY25.	□
The Street's Primary Anxiety	Volume Bottlenecks	Management admitted dependence on EC clearances and railway rake availability to hit 50 MT+ targets.	□
Capital Cycle Stage	Harvesting / Investment	Harvesting record iron ore cash flows while investing in "NMDC 2.0" (Coal, Lithium, Gold).	□
Margin / Return Ratio Trajectory	Improving	EBITDA margins rose to 44% (vs 36% YoY) due to operating leverage and higher realizations QoQ.	□
Pricing Power	Stable	Realizations increased 13% QoQ; domestic market remains buoyant despite global volatility.	□
FCF Conversion & Quality	Strong	Net cash of □11,500 Cr provides significant buffer for upcoming □2,000 Cr+ annual capex.	□
Competitive Moat Signals	Stable	Lowest-cost producer status intact; expanding into strategic "critical minerals" (Lithium).	□
Balance Sheet Strength	Strong	Zero-debt status maintained; □11,500 Cr cash (approx. 18% of market cap).	□
Working Capital Efficiency	Stable	Sales volume (113.94 LT) slightly trailed production (122.23 LT), leading to some inventory buildup.	□
Mgmt Guidance Track Record	Reliable	Consistent operational delivery; however, environmental clearances remain a recurring delay point.	□
Key Vulnerability / Red Flag	Regulatory Overhang	Forest act penalty (□252 Cr) highlights legacy compliance risks in mining blocks.	□
Management Tone	Confident	Focused on "matching 60 years of history in 5 years of performance."	□

Key Takeaways (Positives & Negatives): * **Positives:** Q3 FY24 was a record quarter, with revenue and EBITDA jumping 45% and 78% YoY respectively. Most importantly, the 25% YoY growth in 9-month revenue was entirely volume-driven, insulating the company from price volatility. The Nagarnar Steel Plant (NSL) is ramping up well, reaching 1 lakh ton of HR coil in January, with a clear path to profitability (breakeven at 1.5-1.6 lakh tons/month). * **Negatives:** A □252 Cr exceptional hit for a forest act violation (Donimalai) impacted the bottom line. FY24 volume guidance of 47 MT is at risk due to delays in the Kumaraswamy EC enhancement. Customer concentration remains high (Top 3 clients = 70%+ of sales). * **Forward-looking Watchpoint:** The primary catalyst is the Kumaraswamy mine expansion clearance; without it, NMDC hits a production ceiling near 46-47 MT, stalling the "100 MT by 2030" roadmap.

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2. BUSINESS PERFORMANCE

2A. KEY METRICS *PPT figures used as primary source. Concall used for commentary.*

Metric	Current Qtr (Q3FY24)	YoY Change	QoQ Change	Trend	Mgmt Commentary
Production Volume (LT)	122.23	15% ↑	38% ↑	↑	Best ever Q3 production; driven by operational efficiency.
Iron Ore Sales (LT)	113.94	19% ↑	19% ↑	↑	Volume-led growth; 9M growth (24%) driven by domestic demand.
Avg Realization (□/T)	4,679	22% ↑	13% ↑	↑	Prices stabilized/improved; mgmt remains optimistic on buoyancy.
Revenue (□Cr)	5,410	45% ↑	35% ↑	↑	Growth is entirely volume-driven for the 9-month period.
EBITDA (□Cr)	2,366	78% ↑	56% ↑	↑	Significant margin expansion due to volume leverage.
EBITDA Margin (%)	44%	+800 bps ↑	+600 bps ↑	↑	Expansion led by realization gains and scale.
PAT (□Cr)	1,492	68% ↑	45% ↑	↑	Adjusted for □252 Cr exceptional item, PAT would be higher.
Opex/unit (□)	1,094	-5% ↓	-9% ↓	↑	Improved efficiency in operational expenses per ton.
Net Cash (□Cr)	11,500	Not stated	Not stated	→	Substantial cash balance to fund internal capex.
Royalty & Levies (□Cr)	2,321	24% ↑	54% ↑	↓	Correlated to higher sales value and IBM pricing.

2B. SEGMENT BREAKDOWN *Iron ore remains the dominant contributor (98%+).*

Segment	Revenue (□ Cr)	YoY Growth	Margin	Trend	vs Avg	Key Development
Iron Ore	5,331	46%	44%	↑	In-line	Best ever Q3 sales performance.
Pellet Plant	Not stated	N/A	(17 Cr loss)	↑	Under	9M loss narrowed from 58 Cr to 17 Cr; seeking O&M partner.
Diamond (Panna)	Not stated	N/A	(50 Cr loss)	↓	Under	Currently in waste-mining phase; losses expected for 1 year.
Legacy (Australia)	0	N/A	(Negative)	→	N/A	Waste mining underway; cash flow from ore expected in 2 months.

3. MANAGEMENT OUTLOOK & EXECUTION TRACKER

Dimension	Category	Management Target / Claim	Required Run-Rate	Historical Delivery	Risk Flag
Guidance	Volume (FY24)	46–47 MT	Needs 9-10 MT in Q4.	Delivered 31.9 MT in 9M.	Medium (EC Delay)
Guidance	Volume (FY25)	50–51 MT	~12.5 MT per quarter.	47 MT run-rate achieved.	Low
Guidance	Capex (FY24)	□1,750–1,800 Cr	Spent □1,500 Cr by Jan.	On track.	Low
Guidance	Steel Plant (NSL)	Breakeven (55% utilization)	1.5-1.6 lakh tons/ month.	January at 1 lakh tons.	Medium (Logistics)
Strategy	Coal Mining	Start Tokisud mining (FY26)	Early FY2026.	Delayed (CBA Act path).	High
Strategy	Critical Minerals	Lithium exploration	Australia exploration.	Partnering with Hancock.	Low

4. ANALYST Q&A

Q#	Rel.	Analyst / Firm	Theme	Category	Underlying Concern	Management Response & Investment Implication	Evaded	Cred.	Verdict
1	4.5	Alok Deora / Motilal	Volume	Outlook	"This year we had earlier guided for around 47 million tons... any change in that number?"	Management stated 47 MT is still the target but depends entirely on the Kumaraswamy EC enhancement coming in days. Implication: Volume growth for FY24 has hit a hard regulatory ceiling, capping immediate upside.	None	4.0	Regulatory Cap
2	4.0	Alok Deora / Motilal	Pricing	Outlook	"How do we see the pricing ahead now for iron ore?"	Management described prices as stable and optimistic with only minor adjustments expected. Implication: Margin profile should remain steady in Q4 despite global volatility.	None	4.0	Stable Outlook
3	4.0	Kirtan Mehta / BOB Cap	EC Limits	Capex	"Do we have some flexibility in the EC limit... technically we can go up to 55 million ton?"	Management explained they are applying for 10% increases via the non-public hearing route for five-star mines. Implication: Provides a small 5 MT buffer for FY25 without major regulatory hurdles.	None	4.0	Tactical Growth
4	4.5	Kirtan Mehta / BOB Cap	Slurry/ Coal	Capex	"Could you also elaborate on the project progress on... slurry pipeline, coal block?"	Slurry pipeline completion targeted for end-FY25; Tokisud coal block needs CBA Act approval for land. Implication:	None	3.5	Long-term Play

Q#	Rel.	Analyst / Firm	Theme	Category	Underlying Concern	Management Response & Investment Implication	Evaded	Cred.	Verdict
						Long-term cost-saving catalysts (slurry) are still 18-24 months away.			
5	5.0	Kirtan Mehta / BOB Cap	Steel Plant	Outlook	"NMDC Steel Plant... time it will take to stabilize operations?"	HR Coil production hit 1 lakh tons in Jan; breakeven requires 1.5-1.6 lakh tons (targeted for Q1 FY25). Implication: NSL will remain a drag on consolidated earnings for at least one more quarter before turning profitable.	None	4.5	Breakeven Path
6	4.0	Siddharth / Equirus	Long-term	Outlook	"Beyond FY2025 then we would not see any volume growth till FY2028?"	Management confirmed major "quantum jumps" (5-10 MT) only come after 3-year execution cycles for new projects. Implication: Expect a volume plateau between 52-55 MT for the next 2-3 years.	None	4.0	Growth Plateau
7	4.0	Pallav Agarwal / Antique	Steel Blast	Business	"Is the blast furnace also production in sync with the HR coil?"	Blast furnace can do 12k tons/ day; bottleneck is coil rolling capacity and rake movement. Implication: Operations are ready; logistics is the primary operational risk for the steel unit.	None	4.5	Logistics Risk
8	3.5	Shweta Dikshit	Financials	Capex	"What is the net debt level as of December	Net debt is nil; CWIP stands at ₹2,900 Cr. Implication:	None	5.0	Strong Liquidity

Q#	Rel.	Analyst / Firm	Theme	Category	Underlying Concern	Management Response & Investment Implication	Evaded	Cred.	Verdict
					and... current CWIP?"	Fortress balance sheet enables aggressive capex without financial strain.			
9	4.5	Ashish Kejriwal	Exports	Strategy	"Any thought process that we can also start exporting at least from Karnataka?"	Export duty (30%) makes domestic realizations higher even with global prices at $130. Implication: NMDC will remain a domestic-centric player; export window is closed for high-grade ore.	None	4.0	Domestic Focus
10	4.5	Ashish Kejriwal	Forest Penalty	Governance	"252 Crores which we have to pay... why it happens?"	Penalty for pre-1980 assets that were later deemed forest act violations; includes □180 Cr interest on penalty. Implication: One-time hit to Q3 earnings; clear warning on legacy environmental compliance.	None	4.5	Compliance Hit
11	4.0	Raashi / Citi	Customers	Business	"Volume breakdown... rough idea [of clients]?"	JSW (28%), AM/NS (18%), and RINL (15%) remain the core buyers. Implication: High concentration risk persists; health of these three determines NMDC's sell-through.	None	4.0	Concentration
12	3.0	Saket Kapoor	Pellets	Financials	"Why are we losing money under the category of	Losses narrowed to □17 Cr (9M); using tailings (waste) to feed	None	3.5	Margin Cleanup

Q#	Rel.	Analyst / Firm	Theme	Category	Underlying Concern	Management Response & Investment Implication	Evaded	Cred.	Verdict
					pellet... 30-35 Crore [quarterly]?"	plant will lower costs. Implication: Non-core segments are slowly being cleaned up or partnered out.			

PATTERN FLAGS & SENTIMENT * **Theme: Volume Ceilings.** Analysts repeatedly pressed on the " Kumaraswamy" delay and the potential volume plateau between FY25-FY28. Management was candid that FY24's 47 MT target is "a tough call" and that the next big jumps in capacity (to reach the 100 MT goal) are at least 3-4 years away due to crushing plant construction timelines. * **Theme: Steel Plant Path to Profit.** Significant focus was placed on the 1.5-1.6 lakh ton/month breakeven target. Analysts are looking for the exact moment NSL stops being a consolidated drag; management provided a specific Q1 FY25 target, which was well-received. * **Analyst Sentiment Verdict:** Analysts were impressed by the operational beat but remain skeptical of the timeline for regulatory clearances. The forest act penalty raised some governance eyebrows but was largely viewed as a legacy one-off. Management's credibility is high on operational delivery but neutral on policy/ regulatory navigation.

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5. WHAT CHANGED vs PRIOR QUARTER

Comparison of Q3FY24 vs Q1FY24.

What Changed	Prior Quarter (Q1 FY24)	This Quarter (Q3 FY24)	Direction
EBITDA Margin	42%	44%	↑ Improving
Sales Realization	₹4,850/T	₹4,679/T	↓ Weakening
Steel Plant Status	Commissioning phase	1 lakh ton/month (Stabilizing)	↑ De-risked
Volume Outlook	Aiming for 47-49 MT	47 MT "a tough call"	↓ Cautious
Exceptional Items	None	₹252 Cr (Forest Penalty)	↓ Negative Hit
Pellet Performance	Early stage stabilization	9M Losses narrowed significantly	↑ Improving
International	Australian Gold starting	Waste mining underway; 2-month cash flow path	↑ Executing
Dividend	None	₹5.75 per share announced	↑ Yield Signal

STOP HERE.