NMDC Ltd — Feb 2025 Quarterly Analysis

1. VERDICT & BUSINESS QUALITY SNAPSHOT

Result: Strong Beat **One-line:** NMDC delivered "unprecedented" Q3 production volumes and resilient realizations, while shifting the long-term thesis from a "dividend harvest" play to a massive □70,000 Cr "growth-at-scale" infrastructure cycle.

Dimension	This Quarter	Signal / Evidence	Sentiment
Beat/Miss vs Prior Quarter	Strong Beat	Production up 60% QoQ; PAT up 53% QoQ.	□
Earnings Quality	High	Core iron ore realizations grew 15% YoY despite steel price headwinds.	□
Guidance Confidence	Strong	FY26 volume target raised to 53 MT; 100 MT goal formalised.	□
Management Credibility	Strong	Delivered record Q3 volumes; transparent on NSL rake bottlenecks.	□
Business Quality Signal	Improving	Maintaining 43% EBITDA margins despite surging royalty/levy costs.	□
Key Q&A Exchange	Q#14 (Rakes) — Private rake tender initiated.	Solves the last mile for NSL profitability.	□
The Street's Primary Anxiety	NSL Breakeven & Rakes	Management expects mid-March order for private rakes to bypass IR limits.	□
Capital Cycle Stage	Heavy Investment	□70,000 Cr capex plan unveiled for next 5-6 years.	□
Margin Trajectory	Stable	43% EBITDA margin (Q3) vs 37% (Q2).	□
Pricing Power	Stable	Successfully held pricing at □5,361/T (up 10% QoQ).	□
FCF Conversion & Quality	Distorted	□3,400 Cr stuck in RINL receivables; RINL grant may unlock this.	□
Competitive Moat Signals	Widening	Lowest cost producer status reinforced by scale-led cost absorption.	□
Balance Sheet Strength	Adequate	Cash balance at □7,696 Cr (Jan '25); funding the land/capex.	□
Working Capital Efficiency	Deteriorating	Receivables from RINL and NSL remain heavy drags.	□
Mgmt Guidance Track Record	Reliable	Achieving "unprecedented" production even post-strike year.	□
Key Vulnerability / Red Flag	Rake Availability	Production outpacing evacuation at both NMDC and NSL.	□
Management Tone	Aggressive / Confident	Focused on "quantum leaps" and "new heights."	□

Sentiment: □Positive

Key Takeaways * **Positives:** NMDC achieved its best-ever Q3 production (132.91 LT) and sales (119.36 LT), with realizations growing 15% YoY to □5,361/T. EBITDA margins rebounded to 43% (from 37% in Q2). The unveiling of a ₹70,000 Cr roadmap to reach 100 MTPA by 2030 signals a shift in management's ambition toward aggressive scale. * **Negatives:** Logistics remain the critical bottleneck. Rake availability is capping NMDC Steel (NSL) at 1.3–1.4 rakes/day when 2.5 is needed for breakeven. RINL receivables are stagnant at ₹3,400 Cr, and a ₹1,500 Cr land payment to RINL has further consumed cash, though for strategic long-term projects (Pellet/Slurry). * **The Street's Concern:** Analysts are hyper-focused on when NMDC Steel (NSL) will stop bleeding and when the Karnataka tax issues will settle. Management's plan to bypass Indian Railways by tendering for private rakes is a proactive, if delayed, solution. * **Forward Watchpoint:** Monitor the execution of the "private rake" tender in March; if rakes don't materialize by Q1 FY26, the NSL breakeven timeline will slip yet again.

2. BUSINESS PERFORMANCE

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

Metric	Current Qtr (Q3)	YoY Change	QoQ Change	Trend	Mgmt Commentary
Production (LT)	132.91	↑ 9%	↑ 60%	↑	"Unprecedented" performance; better than previous Q4 peak.
Sales (LT)	119.36	↑ 5%	↑ 23%	↑	Volume growth driven by strong domestic demand.
Realization (₹/T)	5,361	↑ 15%	↑ 10%	↑	Realization beat; management "stretched" pricing despite soft steel.
Revenue (₹Cr)	6,531	↑ 21%	↑ 36%	↑	Growth driven by both volume (9%) and realization (15%).
EBITDA (₹Cr)	2,783	↑ 18%	↑ 55%	↑	Margin expansion to 43% from Q2 low of 37%.
EBITDA Margin %	43%	↓ 100 bps	↑ 600 bps	→	YoY dip due to 32% rise in royalty/levies.
PAT (₹Cr)	1,944	↑ 30%	↑ 53%	↑	Higher other income (₹226 Cr) and interest aided bottom line.
ROCE (%)	Not in doc	-	-	-	Not explicitly stated in quarterly snapshot.
Cash Flow (OCF)	Not in doc	-	-	-	Cash balance at ₹7,696 Cr as of Jan 31st.
Net Debt / (Cash)	(Net Cash)	→	→	→	Strong liquidity despite ₹1,500 Cr land payment.
Interest Coverage	43.1x	↓	↑	→	Based on EBITDA/Finance cost (₹64.5 Cr).
Working Capital	Deteriorating	-	-	↓	RINL receivables at ₹3,400 Cr; NSL dues still pending.

2B. SEGMENT BREAKDOWN

Segment	Revenue (₹ Cr)	YoY Growth	Margin	Trend	vs Co. Avg	Key Development
Iron Ore	6,399	↑ 20%	~43%	↑	Inline	Core driver; Volume 119 LT.
Other/ Pellet	132	↑ 67%	Neg	↓	Below	Diamond mine (Panna) remains a drag; Pellet plant delayed.

3. MANAGEMENT OUTLOOK & EXECUTION TRACKER

Dimension	Category	Management Target / Claim	Required Run-Rate	Historical Delivery	Risk Flag
Guidance	Volume	47-48 MT for FY25	Needs 16.5 MT in Q4 (Hist avg ~12-13 MT)	Missed 50 MT target from Q1 due to May strike.	**High**
Guidance	Volume	53 MT for FY26	~13.25 MT/Qtr	Increasing capacity via SP-III and EC enhancements.	**Medium**
Guidance	Volume	100 MT by 2030	Needs 10% CAGR	Pivot from harvesting to heavy capex.	**Low**
Guidance	Capex	□4,000 Cr for FY25	Spent □3,112 Cr YTD	On track to exceed last year significantly.	**Low**
Guidance	Capex	□70,000 Cr (5-6 years)	~□12,000 Cr/year	massive jump from current □2k-4k Cr run-rate.	**High**
Strategy	NSL	Breakeven at 4.7 LT/ qtr	Needs +35% volume	Delayed by rake availability bottlenecks.	**High**
Macro	Pricing	"Stretch" current prices	N/A	Small cut taken in Jan/Feb; headwinds in steel.	**Medium**
Balance	RINL	Liquidation of □3.4k Cr	N/A	Contingent on RINL's utilization of □11k Cr grant.	**High**

4. ANALYST Q&A

Q#	Rel.	Analyst / Firm	Theme	Category	Underlying Concern	Management Response & Investment Implication	Evaded	Credibility	Verdict
1	4.5	Amit Dixit, ICICI Sec	Royalty	Financials	"Royalty as a percentage of realization... around 46% this quarter... have you started making provision for higher royalty in Karnataka?"	Management clarified no provision has been made for the Karnataka royalty; the spike is due to royalty being provisioned on production (up 60% QoQ) rather than sales. High production vs sales timing will cause margin volatility until inventory clears.	None	5.0	Quantified & Clear
2	4.5	Amit Dixit, ICICI Sec	NSL Rakes	Business Overview	"What was the sales volume... and how are we ramping up [at NMDC Steel]?"	Management noted production of 3.8 lakh tons but sales lagged at 3.57 lakh tons due to receiving only 1.4 rakes/ day vs the 2.5 required for breakeven. Rake availability is now the single point of failure for NSL's path to profitability.	None	4.5	Specific Bottleneck
3	4.0	Saket Kapoor, Kapoor Corp	RINL Land	Capex	"The company has entered into an MoU with RINL... 1,500 crores investment... What are we eyeing?"	Management confirmed the □1,500 Cr was to buy/lease 1,167 acres from RINL for India's largest blending yard, a pellet plant, and the slurry pipeline terminal. This signals long-term strategic	None	4.0	Strategic Pivot

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						integration with Gangavaram port but consumes current cash.			
4	4.0	Saket Kapoor, Kapoor Corp	RINL Dues	Financials	"Receivables from RINL is to the tune of 3,400 crores. What is the update?"	Management expects RINL's recent □11,000 Cr government grant will facilitate liquidation of these dues; RINL has already started paying for current supplies. A recovery here would be a major cash inflow trigger for NMDC's capex.	None	3.5	Directional
5	3.0	Saket Kapoor, Kapoor Corp	Legacy Iron	Capex	"What are the benefits... from this investment [□84 Cr in Legacy Iron]?"	Management explained the trading halt was voluntary to allow for a rights issue to solve liquidity issues at the subsidiary. Trading has now resumed, but immediate NPV benefits remain unclear to the core iron ore business.	NPV Benefits	2.5	Vague on ROI
6	3.5	Saket Kapoor, Kapoor Corp	100MT Plan	Strategy	"70,000 crores in five years is a large number... where can investors find the details?"	Management stated that detailed DPRs and board approvals are still fluid, with execution possibly involving partnership models to	Specifics	2.0	Fluid / Pre-Board

Q#	Rel.	Analyst / Firm	Theme	Category	Underlying Concern	Management Response & Investment Implication	Evaded	Credibility	Verdict
						reduce direct EPC costs. The 70k Cr figure is an exhaustive "target" rather than a hard-sanctioned budget.			
7	4.0	Satyadeep Jain, Ambit	Capex	Capex	"What has led to this increase in 50 to 70 [thousand crore capex]?"	Management noted cost estimates will change as projects move from concepts to DPRs and may shift to partnership modes where private investors fund infrastructure. This indicates massive inflation in infra-planning or a widening of project scopes (e.g., critical minerals).	Exact Drivers	3.0	Consistent Tone
8	4.0	Prateek Singh, DAM Cap	SC Tax	Governance	"What kind of tax increase are we looking at if the Karnataka tax bill... is passed?"	Management is hoping for central government intervention due to "domino effects" across states; retrospectively, they expect a sub-3x royalty impact. This remains a significant legal and financial overhang for the Karnataka mines.	Quantified Hit	2.0	Hedged
9	4.5			Strategy	"Is this an automatic	Management insisted that all	None	4.0	Confident Posture

Q#	Rel.	Analyst / Firm	Theme	Category	Underlying Concern	Management Response & Investment Implication	Evaded	Credibility	Verdict
		Sumangal Nevatia, Kotak	Tax Pass-thru		pass-through or this is something which we will have to [absorb]?"	new levies are a 100% pass-through to customers via pricing structure changes, even if it creates friction with steel producers. This de-risks the P&L but creates a working capital/ recovery risk if customers contest.			
10	3.5	Tushar Chaudhari, PL	Capacity	Business Overview	"Any incremental info on [Deposit 5/10/14 capacity expansion]?"	Management expects Deposit 4 (2 MT) and Deposit 14 approvals by late Feb or mid-March to support the 53 MT target for next year. These statutory approvals are the primary barrier to near-term volume growth.	None	4.0	Specific Timelines
11	4.0	Rashi Chopra, Citi	Cash	Financials	"Cash balance as of December?"	Management provided Jan 31st cash at ₹7,696 Cr; checking December figure. Strong liquidity remains despite subsidiary investments.	Dec exact #	4.0	Solid Liquidity
12	3.5		FY27 Outlook	Management	"What's the outlook for	Management targets ~60 MT	None	4.0	Verifiable Target

Q#	Rel.	Analyst / Firm	Theme	Category	Underlying Concern	Management Response & Investment Implication	Evaded	Credibility	Verdict
		Shweta Dikshit, Systematix			FY27 from here?"	in FY27, contingent on the SP-III project coming online and EC enhancements. This maps out a steady ~15% volume CAGR over the next two years.			
13	4.0	Siddharth Gadekar, Equirus	Coal Block	Capex	"As we are looking to start [coal blocks] maybe this year, any updates?"	Management targets starting small-scale mining by the end of next year (FY26), with statutory notices (Sec 8/9/11) pending. Coal diversification is progressing but is not a near-term margin contributor.	None	3.5	Reality Check
14	4.5	Atharva Gupta, Investor	NSL Rakes	Business Overview	"Problem of rakes... do we have any sight on when this will get rectified?"	Management has issued a limited tender to 5-6 private rake suppliers for mid-March/ April delivery to bypass Indian Railway constraints. This is a critical tactical fix for NSL's 2026 profitability.	None	5.0	Specific Action Plan

PATTERN FLAGS & SENTIMENT * **The Rake Bottleneck:** This was the central theme of the call. Management's tone shifted from blaming the Railways to proactively tendering for private rakes. While this solves the "NSL Sales" problem, it confirms that infrastructure (not demand) is the primary governor of NMDC's current performance. * **The Strategic Shift to □70k Cr:** Analysts were clearly startled by the jump in capex from □50k Cr to □70k Cr. Management remained confident but somewhat vague on the specific DPRs, indicating that "partnership modes" are the new favored execution style. This suggests NMDC is wary of over-leveraging its own balance sheet for the 100 MT goal. * **Analyst Sentiment Verdict:** Analysts were **cautiously optimistic** on physical performance but **skeptical** on the timeline for NSL's breakeven. The record production volumes bought management significant credibility, but the unresolved □3,400 Cr RINL receivable and the looming Karnataka tax bill remain the primary "gray swans" that analysts are tracking.

GUIDANCE GAPS REVEALED IN Q&A | Topic | What Mgmt Claimed (Q1) | What Q&A Revealed | Gap / Walk-back | Risk to Thesis | |-------|------------------------|-------------------|-----------------|----------------| | FY25 Volume Target | 50 MT | 47-48 MT Expected | ~5% haircut to volume guidance due to May strike. | Minimal, offset by realization. | | NSL Breakeven | Q2 FY25 | TBD (Delayed) | Rake shortage (1.4 vs 2.5) has pushed breakeven out. | High; persistent losses at NSL. | | Capex Plan | □50,000 Cr | □70,000 Cr | 40% increase in long-term investment outlay. | High; execution/inflation risk. |

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5. WHAT CHANGED vs PRIOR QUARTER

Comparison vs Q1 FY25 Prior Context.

What Changed	Prior Quarter (Q1)	This Quarter (Q3)	Direction
Production Run-rate	9.19 MT (Low)	13.29 MT (Record)	↑ (Sharp Recovery)
Realization	□5,304/T	□5,361/T	↑ (Beat)
Capex Ambition	□2,200 Cr Annual	□70,000 Cr Multi-year	↑ (Massive expansion)
NSL Strategy	Commissioning focus	Private Rake Tendering	↑ (Proactive Fix)
RINL Relationship	Receivable overhang	□1,500 Cr Land Buy	□(Increased exposure)
EBITDA Margin	51% (Record)	43%	↓ (Normalization)
FY25 Target	50 MT	~47-48 MT	↓ (Realistic adj.)

Trajectory Signal: NMDC has successfully pivoted from a weather-disrupted Q1 to a record-breaking Q3. However, the investment thesis is moving from a low-risk, cash-rich miner to a high-capex, infrastructure-heavy conglomerate. Long-term investors must now weight the "unprecedented" physical efficiency against the execution risk of a □70,000 Cr build-out.