NMDC Ltd — Feb 2026 Quarterly Analysis

1. VERDICT & BUSINESS QUALITY SNAPSHOT

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

Result: Inline on Volumes / Miss on Margins **One-line:** NMDC is trapped in a "volume-for-margin" trade-off: record Q3 production (+10% YoY) was insufficient to offset a 13% collapse in realizations and a 60% surge in core operational expenses, leading to double-digit PAT contraction.

Dimension	This Quarter	Signal / Evidence	Sentiment
Beat/Miss vs Guidance / Prior Quarter	Miss	EBITDA (□2,504 Cr) fell 10% YoY despite record volumes; missed market expectation of margin stability.	□
Earnings Quality	Moderate	PAT fell 11% YoY; results were "clean" but reflect a fundamental deterioration in unit economics.	□
Guidance Confidence	Weak	9M Production at 36.8 MT (66% of target); requires 18.5 MT in Q4 (40% higher than historical peak).	□
Management Credibility	Neutral	Delivering on the engineering/volume ramp-up as promised, but failing to contain controllable opex.	□
Business Quality Signal	Deteriorating	Operating leverage is working in reverse; costs are scaling significantly faster than production.	□
Key Q&A Exchange	N/A	PPT_ONLY: Not applicable.	□
The Street's Primary Anxiety	Op-Ex Blowout	Core "Operational Expenses" grew 60% YoY, far outstripping the 10% volume growth.	□
Capital Cycle Stage	Investment	Significant capex in progress for 100 MTPA target; cash yields (Interest Income) down 27%.	□
Margin / Return Ratio Trajectory	Deteriorating	EBITDA margins compressed to 33% from 43% in CPLY and 38% in Q2.	□
Pricing Power	Eroding	Average Sales Realization (ASR) fell 13% YoY and 6% QoQ to □4,681/T.	□
FCF Conversion & Quality	Not in Doc	Cash flow statement not provided in Q3 PPT; liquidity likely tightening given capex needs.	□
Competitive Moat Signals	Stable	Cost leadership remains based on high-grade ore, but statutory levies (Royalty) act as a high floor.	□
Balance Sheet Strength	Adequate	Investment book at □1,419.98 Cr; interest income decay suggests cash burn for operations/capex.	□
Working Capital Efficiency	Deteriorating	Operational expenses (□2,539 Cr) are at an all-time high despite lower QoQ realized prices.	□
Mgmt Guidance Track Record	Mixed	Consistent on volume execution; poor at protecting unit margins against realization headwinds.	□
Key Vulnerability / Red Flag	Negative Op-Leverage	9M Operational Expenses grew 58% YoY vs 10% volume growth; suggests structural cost inflation.	□
Management Tone	Confident	Tone remains promotional ("Best Ever," "Robust," "Record Breaking").	□

Sentiment: □Negative

Key Takeaways: * **Positives:** NMDC achieved its "Best Ever Q3" physical performance with Production at 14.68 MT (+10% YoY) and Sales at 12.71 MT (+6% YoY). The 9M production at 36.8 MT is the highest in company history, proving physical infrastructure can handle a higher scale. * **Negatives:** Profitability is being crushed by a "double-whammy." Realizations fell 13% YoY (tracking global iron ore softness), while Core Operational Expenses (excluding royalties) exploded 60% YoY (from □1,582 Cr to □2,539 Cr). Volume growth of 6-10% is nowhere near enough to cover this level of cost inflation. * **The Street's Concern:** The primary anxiety is the "Guidance Trap." To hit the FY26 target of 55.4 MT, NMDC must produce 18.5 MT in Q4. Historical Q4 performance peaks around 13-14 MT; a shortfall of ~4-5 MT (nearly 10% of annual target) is now the high-probability base case. * **Forward Watchpoint:** Monitoring "Operational Expenses" in Q4. If unit opex stays at current levels (~□1,998/T) while iron ore prices remain soft, EBITDA margins could potentially breach the 30% level, a multi-year low for a "low-cost" miner.

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2. BUSINESS PERFORMANCE

2A. KEY METRICS

DATA SOURCE: Concall not available — Mgmt Commentary column absent.

Metric	Current Qtr (Q3 FY26)	YoY Change	QoQ Change	Trend	Mgmt Commentary
Production Volume (LT)	146.84	↑ 10.5%	↑ 43.8%	□	Best ever Q3 production.
Sales Volume (LT)	127.07	↑ 6.5%	↑ 18.6%	□	Best ever Q3 sales.
Realization/unit (□/T)	4,681	↓ 12.7%	↓ 5.9%	↓	Prices tracking global decline.
Opex/unit (□/T)*	1,998	↑ 50.8%	↑ 2.3%	↓	Calculated: Oper. Exp / Sales Qty.
Revenue (□Cr)	7,486	↑ 14.6%	↑ 19.6%	□	Volume-led growth; offset pricing.
EBITDA (□Cr)	2,504	↓ 10.0%	↑ 5.0%	□	Shrinking YoY; seasonal bounce QoQ.
EBITDA Margin %	33%	↓ 1000bps	↓ 500bps	↓	Severe margin compression.
PAT (□Cr)	1,738	↓ 10.6%	↑ 2.6%	□	Margin erosion hitting bottom line.
Interest Income (□Cr)	195	↓ 27.2%	↑ 126.7%	□	Down YoY; Q3 recovery from Q2.
Royalty & Levies (□Cr)	2,990	↓ 1.4%	↑ 16.8%	→	Linked to realized prices.
Operational Exp (□Cr)	2,539	↑ 60.5%	↑ 21.3%	↓	Major concern; outstripping volume.
Stock Adjustment (□Cr)	(53)	↓ 84.4%	↓ 86.0%	□	Minimal benefit vs large Q2 credit.

**Opex/unit excluding statutory levies. Calculation: 2,539 Cr / 12.707 MT = 1,998 per Ton.*

2B. SEGMENT BREAKDOWN (Mines)

Segment	Production (LT)	YoY Growth	Sales (LT)	Trend	vs Co. Avg	Key Development
KDL (Kirandul)	53.84	↑ 12.0%	46.31	□	Above	Largest contributor to Q3 surge.
BCH (Bacheli)	51.44	↑ 8.8%	42.34	□	Below	Modest growth vs Kirandul.
DIOM (Donimalai)	17.77	↑ 14.1%	16.66	□	Above	Strong Karnataka performance.
KIOM (Kumaraswamy)	23.79	↑ 8.1%	21.76	□	Below	Lagging on sales conversion.
Lump Ore Pricing	□5,441/T	↓ 14.6%	-	↓	-	Severe pricing decay.
Fines Pricing	□4,206/T	↓ 12.1%	-	↓	-	Fines tracking global lows.

3. MANAGEMENT OUTLOOK & EXECUTION TRACKER

Dimension	Category	Management Target / Claim	Required Run-Rate / Mathematical Feasibility	Historical Delivery	Risk Flag
Guidance	Volume (FY26)	55.4 Million Tons	**Requires 18.5 MT** in Q4. (9M Production is 36.89 MT).	Historical Q4 peak ~13.3 MT. **Required is 39% higher than peak.**	**Critical**
Guidance	Realization	Market linked	Needs iron ore to bounce 15% to hit FY25 averages.	Currently at 3-year lows (□4,681/T).	**High**
Strategy	Expansion	100 MTPA by 2030	Requires 14% CAGR.	Current 9M growth is 10%; lagging long-term target.	**Medium**
Strategy	Value Add	Pellets - Job Work	23.5 LT dispatched in 9M; 9.8 LT in Q3.	Scaling rapidly (380% YoY in Q3).	**Low**
Strategy	Diversification	Investments in JVs	□1,419.98 Cr total.	ICVL (□378 Cr) and JKMDC (derated) are capital drags.	**Medium**
Balance	Liquidity	Interest Income	□221 Cr (9M) vs □366 Cr (CPLY).	Cash buffer being consumed by Op-Ex/Capex.	**Medium**

4. ANALYST Q&A

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

5. WHAT CHANGED vs PRIOR QUARTER

What Changed	Prior Quarter (Q2 FY26)	This Quarter (Q3 FY26)	Direction
ASR (Realization)	□4,973 / Ton	□4,681 / Ton	↓ (Eroding)
EBITDA Margin	38%	33%	↓ (Compression)
Unit Op-Ex	□1,953 / Ton	□1,998 / Ton	↓ (Rising Costs)
Production Run-rate	10.2 MT	14.7 MT	↑ (Seasonal Ramp)
H2/Q4 Required Lift	16.6 MT / Quarter	18.5 MT (for Q4)	↓ (Target drifting)
Accounting Support	□379 Cr (Stock Gain)	□53 Cr (Stock Gain)	↓ (Lower Quality)
Dividend Signal	Not featured	Not declared in PPT	→ (Neutral)
Investments	□1,302.68 Cr	□1,419.98 Cr	↑ (Capital deployed)

Investor Notes: * **The Impossible Target:** The Q3 result confirms NMDC’s engineering capability to ramp up production, but it also highlights the mathematical impossibility of the 55.4 MT target. Needing 18.5 MT in Q4 when the prior best was ~13.3 MT suggests a massive guidance miss is baked in. * **Structural Opex Shift:** Core "Operational Expenses" are no longer tracking volume growth. A 10% volume increase resulting in a 60% opex increase suggests that mining deeper or the increased use of contractual labor is permanently raising the cost floor. * **The "Price Taker" Trap:** NMDC is powerless against global price decay. With ASR at □4,681, the company is nearing the point where volume growth no longer generates incremental EBITDA growth. * **Capital Allocation:** Total investments grew by □117 Cr QoQ to □1,419.98 Cr. With JKMDC already "derated" and interest income falling 27% YoY, the company’s transition from a cash-cow to a growth-investor is proving expensive for minority shareholders.

STOP HERE.