## NMDC Ltd — Jun 2024 Quarterly Analysis

## 1. VERDICT & BUSINESS QUALITY SNAPSHOT

**Result:** Strong Beat **One-line:** NMDC delivered record operational volumes and a significant sequential realization jump (up 9.5%), successfully de-risking the "Steel Overhang" as the Nagarnar plant approaches cash breakeven and begins debt repayment.

| Dimension | This Quarter | Signal / Evidence | Sentiment |
|---|---|---|---|
| Beat/Miss vs Guidance / Prior Quarter | Strong Beat | Sales volume of 12.5 MT and realization of ₹5,125/T both exceeded Q3 levels and internal run-rates. | □ |
| Earnings Quality | Moderate | PAT was optically suppressed by a ₹282 Cr exceptional forest land regularization penalty; core EBITDA is at record levels. | □ |
| Guidance Confidence | Strong | FY25 volume target of 50 MT is backed by commissioned Bacheli lines and enhanced Kumaraswamy EC (Environmental Clearance). | □ |
| Management Credibility | High | Delivered the "highest-ever" production and sales year (45 MT); provided a detailed ₹50,000 Cr capex roadmap. | □ |
| Business Quality Signal | Improving | Transitioning from a pure-play miner to an infra-heavy producer with slurry pipelines and stockyards to capture logistical deltas. | □ |
| Key Q&A Exchange | Q#18 - Capex Roadmap | Management provided the first detailed breakdown of the ₹50,000 Cr "NMDC 2.0" investment plan. | □ |
| The Street's Primary Anxiety | Capex Drag | Analysts questioned if massive capex would kill dividends; Mgmt confirmed a floor of ~38-45% payout. | □ |
| Capital Cycle Stage | Investment | Entering a heavy investment phase (₹50,000 Cr) to reach 100 MT capacity by FY30. | □ |
| Margin / Return Ratio Trajectory | Improving | EBITDA margins rose to 41% for FY24 (vs 39% YoY) despite higher royalties and levies. | □ |
| Pricing Power | Expanding | Domestic demand is so strong (JSW/JSPL asking for more) that NMDC ignores the unviable export market. | □ |
| FCF Conversion & Quality | Strong | ₹2,100 Cr record capex was funded entirely via internal accruals; Net Cash remains robust at ₹9,200 Cr. | □ |
| Competitive Moat Signals | Widening | Exclusive access to high-grade Bailadila ore and upcoming slurry pipeline (50% freight saving) reinforces cost leadership. | □ |
| Balance Sheet Strength | Strong | Zero-debt status maintained; cash balance provides a massive buffer for upcoming 5-year capex plan. | □ |
| Working Capital Efficiency | Stable | Inventory levels managed well despite April production dip; bill discounting treatment changed per ICAI rules. | □ |
| Mgmt Guidance Track Record | Reliable | Consistent delivery on volume growth (10-16% YoY) and steel plant commissioning milestones. | □ |
| Key Vulnerability / Red Flag | Regulatory Compliance | The ₹282 Cr penalty for a 1968-era land issue signals legacy environmental compliance risks. | □ |
| Management Tone | Bullish | "We plan to take both companies to the next level... records are meant to be broken." | □ |

**Key Takeaways (Positives & Negatives):** * **Positives:** NMDC achieved its "best ever" year with 45 MT production and sales. The realization jump to □5,125/T in Q4 (vs □4,679 in Q3) showcases strong pricing power in a supply-constrained domestic market. Most critically, NMDC Steel (NSL) is now a "win-win" partner, with repayment of □3,800 Cr in advances starting in Q2 FY25 and production hitting 1.2 lakh tons/month. * **Negatives:** A □282 Cr exceptional penalty related to historical forest land regularization in Donimalai hit Q4 PAT. Full-year dividend payout (38%) was slightly lower than historical averages (45%) as management conserves cash for a massive □50,000 Cr capex cycle. * **Street Concern:** Analysts are wary of the 5-year growth plateau between FY26 and FY30. Management's response: the "big bag jump" to 100 MT requires 3-4 years of execution for crushing plants and pipelines; meanwhile, incremental 2-4 MT gains will be the norm. * **Forward Watchpoint:** Q2 FY25 is the litmus test for the thesis—watch for the first repayment of steel plant advances and the stabilization of the Pulverized Coal Injection (PCI) system at NSL.

---

## 2. BUSINESS PERFORMANCE

**2A. KEY METRICS** DATA SOURCE: PPT figures primary.

| Metric | Current Qtr (Q4) | YoY Change | QoQ Change | Trend | Mgmt Commentary |
|---|---|---|---|---|---|
| Production Volume (LT) | 132.40 | (6.2%) ↓ | 8.3% ↑ | ↑ | Best-ever Q4 production; record 450 LT for full year. |
| Iron Ore Sales (LT) | 125.41 | 1.1% ↑ | 10.1% ↑ | ↑ | 2nd best sales ever; demand exceeds supply capacity. |
| Avg Realization (□/T) | 5,125 | 11.9% ↑ | 9.5% ↑ | ↑ | Driven by domestic market buoyancy; exports remain unviable. |
| Revenue (□Cr) | 6,475 | 10.7% ↑ | 19.7% ↑ | ↑ | Growth driven by both volume and realization gains. |
| EBITDA (□Cr) | 2,126 | 13% ↑ | (10%) ↓ | ↓ | Q4 margin hit by exceptional items and higher levies. |
| PAT (□Cr) | 1,462 | (35%) ↓ | (2%) ↓ | ↓ | Impacted by □282 Cr land penalty; FY24 PAT up 2% YoY. |
| Opex/unit (□/T) | 1,170 | 9.4% ↑ | 6.9% ↑ | ↓ | Higher due to employee provisions and operational overheads. |
| Net Cash (□Cr) | 9,200 | N/A | 3.4% ↑ | ↑ | Includes □12,000 Cr gross cash; strong liquidity. |
| Royalty & Levies (%) | 47% | 400 bps ↑ | 300 bps ↑ | ↓ | Includes royalty + additional royalty; elevated this quarter. |
| Capex (□Cr) | 2,100 (FY) | 114% ↑ | N/A | ↑ | Highest ever (ex-steel plant); funded by internal accruals. |

**2B. SEGMENT BREAKDOWN**

| Segment | Revenue (₹Cr) | YoY Growth | Margin | Trend | vs Avg | Key Development |
|---|---|---|---|---|---|---|
| Iron Ore | 21,049 (FY) | 21% | 41% | ↑ | In-line | Highest ever production (45 MT); Targeting 50 MT in FY25. |
| Pellet Plant | Not stated | N/A | Break-even | ↑ | Under | Reached cash breakeven; seeking O&M partner for efficiency. |
| Steel (NSL)* | Associate | N/A | ~10% | ↑ | N/A | 1.2 MT production; Breakeven target Q2 FY25. |
| Australia (Legacy) | 319 (Inv) | N/A | N/A | → | N/A | 91% holding; waste mining underway; cash flow in 2 months. |
| **NMDC Steel is a separate entity; NMDC holds 3,800 Cr in advances/ receivables.* | | | | | | |

## 3. MANAGEMENT OUTLOOK & EXECUTION TRACKER

| Dimension | Category | Management Target / Claim | Required Run-Rate | Historical Delivery | Risk Flag |
|---|---|---|---|---|---|
| Guidance | Volume (FY25) | 50 MT | 12.5 MT/quarter | FY24: 45 MT (Met target) | Low |
| Guidance | Volume (FY26) | 54 MT | 13.5 MT/quarter | New target | Medium |
| Guidance | Capex | ₹50,000 Cr (5-year) | ₹8,000-9,000 Cr/yr (Peak) | FY24: ₹2,100 Cr (Beat) | High |
| Strategy | Steel Recovery | Q2 FY25 Repayment | ₹3,800 Cr total | NSL ramping up (1.2 MT) | Low |
| Strategy | 100 MT Roadmap | Target Year FY30 | ~10 MT incremental/ year | Consistent small gains | Medium |
| Macro | Exports | "Does not make economic sense" | Net realization < ₹1,400 | Avoided exports in FY24 | Low |
| Balance | Debt | Maintain Zero Debt | N/A | Zero debt maintained | Low |

## 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 / MOSL | Volume | Outlook | "What kind of volumes we are looking at for FY '25 and '26?" | Management guided for 50 MT in FY25 and 54 MT in FY26, noting that Bacheli additional lines are now commissioned. This implies a 10% volume growth CAGR for the next two years, providing high visibility on top-line growth. | None | 5.0 | Specific Targets |
| 3 | 4.0 | Alok Deora / MOSL | Employee Costs | Financials | "How could the employee cost look up in FY '25 and '26?" | Management stated they have been providing for a 10-11% wage hike monthly and expect an incremental □100 Cr impact. This de-risks the bottom line from "wage shock" as the hit is already being amortized. | None | 4.5 | De-risked |
| 4 | 5.0 | Pallav Agarwal | Exceptional Item | Financials | "Other expenses... substantially higher... provisions for ECL?" | The spike was a □282 Cr payment for regularizing forest land possessed since 1968 in Donimalai. This is a one-time legacy hit, meaning core operational profitability is stronger than the reported PAT suggests. | None | 5.0 | Quality Beat |
| 10 | 4.5 | Sumangal Nevatia | Steel Advances | Capex & Alloc | "Advances to NMDC Steel... status... recovery timeline?" | Repayment of □2,500 Cr (pre-deposit) and □1,300 Cr (ore credit) will start in Q2 FY25 as NSL breaks even. This provides a massive cash inflow catalyst for NMDC's own capex plans, reducing | None | 4.0 | Key Catalyst |

| Q# | Rel. | Analyst / Firm | Theme Cluster | Category | Underlying Concern | Management Response & Investment Implication | Evaded | Cred. | Verdict |
|---|---|---|---|---|---|---|---|---|---|
| | | | | | | internal accrual pressure. | | | |
| 15 | 4.0 | Natraj Sankar | Steel Margins | Financials | "Longer term... what kind of EBITDA per ton [for Steel]?" | Management expects 10% margins initially, rising to 25% EBITDA margin once the plant hits 90% capacity (2.5 MT+). This validates the asset's quality and long-term valuation potential if eventually divested. | None | 4.0 | Quantified |
| 18 | 5.0 | Anant Mundra | Capex Plan | Capex & Alloc | "INR 50,000 crores investment... can you please give us some kind of a breakup?" | Management detailed projects including Slurry Phase 2 (□10k Cr), Conveyors (□3k Cr), Pellet Plant (□2k Cr), and Vizag Land (□1.5k Cr). This clarifies the "NMDC 2.0" vision, showing a shift toward integrated logistics and higher-value pellets. | None | 4.5 | Transparent |
| 23 | 3.5 | Pramod Dangi | Dividends | Capex & Alloc | "Looking to increase the payout ratio or it will remain around 40% to 45%?" | Current payout is 38%; management appeared cautious about increasing this due to the □50k Cr capex pipeline. Investors should expect a yield plateau as cash is diverted to long-term asset building. | None | 3.0 | Yield Plateau |
| 30 | 4.0 | Satyadeep Jain | Slurry Pipeline | Business | "Economics of that slurry pipeline... freight savings?" | Slurry transport is 50% cheaper than rail, including drying costs, and will feed a new 6 MT pellet plant. This is a primary margin expansion lever for FY26-27, | None | 4.5 | Structural Moat |

| Q# | Rel. | Analyst / Firm | Theme Cluster | Category | Underlying Concern | Management Response & Investment Implication | Evaded | Cred. | Verdict |
|---|---|---|---|---|---|---|---|---|---|
| | | | | | | structurally lowering the cost of "delivered" ore. | | | |
| 32 | 3.5 | Satyadeep Jain | Steel Pricing | Business | "Are you able to get the same pricing as others?" | NSL realization is ~₹49,200/T, lower than peers due to a lack of stockyards and remote location costs. This highlights a logistical disadvantage that NMDC plans to fix via new stockyards in Vizag/ Hyderabad. | None | 4.0 | Logistics Gap |
| 36 | 3.0 | Kamlesh Jain | Debt Accounting | Financials | "Increase in debtors and similar increase in borrowings?" | Change is due to an ICAI advisory requiring bill discounting with RINL to be shown as a liability/debtor rather than contingent. This is a non-cash accounting adjustment with zero impact on actual solvency. | None | 5.0 | Purely Technical |

**PATTERN FLAGS & SENTIMENT** * **Theme: The ₹50,000 Cr Roadmap.** For the first time, analysts shifted from "Will you grow?" to "How will you pay for it?" Management was highly prepared, providing a detailed breakdown of slurry pipelines, conveyors, and land parcels. POSTURE: Confident and long-term. * **Theme: Steel Plant De-risking.** The focus on "repayment of advances" in Q2 FY25 was the most significant sentiment shifter. Analysts were relieved that the "ore-for-credit" cycle at NSL is ending. Posture: Triumphant on technical milestones (Fastest PSU ramp-up). * **Analyst Sentiment Verdict:** Analysts were largely convinced by the operational numbers but remain split on the capital allocation. While the volume growth is undeniable, the massive capex cycle (peaking at ₹9k Cr/year) puts a temporary cap on re-rating as investors wait for "Project 100 MT" to show FCF results. Management's credibility on steel plant stabilization is at an all-time high.

## 5. WHAT CHANGED vs PRIOR QUARTER

| What Changed | Prior Quarter (Q3 FY24) | This Quarter (Q4 FY24) | Direction |
|---|---|---|---|
| **Volume Guidance** | 47 MT (Tough call) | 50 MT (Confident) | ↑ Improving |
| **Avg Realization** | □4,679 | □5,125 | ↑ Improving |
| **Steel Plant Status** | Ramping up | Commissioned PCI; Repayment starts Q2 | ↑ De-risked |
| **Capex Visibility** | Vague "Expansion" | Detailed □50,000 Cr Pipeline | ↑ Strategic Clarity |
| **Dividend Payout** | Historical 45% | FY24 Actual: 38% | ↓ Conservative |
| **Steel Strategy** | Build and Run | "No more steel plants after Nagarnar" | ↑ Strategic Focus |
| **Logistics** | Rail doubling delays | Slurry Phase 1 80% complete | ↑ Execution |
| **One-offs** | None | □282 Cr Land Penalty | ↓ Quality (One-off) |

STOP HERE.