NMDC Ltd — Jun 2025 Quarterly Analysis

1. VERDICT & BUSINESS QUALITY SNAPSHOT

Result: Inline on Volumes / Miss on Realizations & Margins **One-line:** NMDC has successfully navigated industrial strikes to deliver its second-best physical year, but the thesis is transitioning from a "dividend cow" to a high-risk "growth conglomerate" as it initiates a massive □70,000 Cr capex cycle and diversifies into global coking coal and lithium.

Dimension	This Quarter	Signal / Evidence	Sentiment
Beat/Miss vs Prior Quarter	Miss	Realizations down 7% QoQ; PAT down 23% QoQ.	□
Earnings Quality	Low (WC Distorted)	Receivables surged to □7,800 Cr (NSL/ RINL dues).	□
Guidance Confidence	Strong	Targeting 55.4 MT (100% EC capacity) for FY26.	□
Management Credibility	Neutral	Missed 47-48 MT FY25 target (Actual: 44 MT).	□
Business Quality Signal	Transitioning	Moving from pure-play iron ore to global multi-mineral.	□
Key Q&A Exchange	Q#7 (Coking Coal) — Aggressive global acquisition.	High-cost strategy to secure strategic minerals.	□
The Street's Primary Anxiety	Working Capital & Capex	□7,800 Cr stuck in receivables; □4,200 Cr capex.	□
Capital Cycle Stage	Heavy Investment	□70,000 Cr roadmap for 100 MTPA by 2030.	□
Margin / Return Ratio Trajectory	Deteriorating	EBITDA margin compressed to 37% (vs 43% QoQ).	□
Pricing Power	Stable	Implementing index-based/formula pricing.	□
FCF Conversion & Quality	Distorted	CFO severely lagging PAT due to RINL/ NSL dues.	□
Competitive Moat Signals	Stable	Maintaining lowest-cost producer status in India.	□
Balance Sheet Strength	Adequate	Internally funding capex for now; debt a possibility.	□
Working Capital Efficiency	Deteriorating	Significant increase in receivables (□7,800 Cr).	□
Mgmt Guidance Track Record	Mixed	Consistently aggressive targets; execution lags.	□
Key Vulnerability / Red Flag	Global M&A Risk	Looking at operational coking coal mines in Australia.	□
Management Tone	Aggressive / Hyper-Expansionary	Focused on "watershed year" and "great leap."	□

Sentiment: □Neutral

Key Takeaways * **Positives:** NMDC is operating at near-maximum Environmental Clearance (EC) levels, with a target of 55.4 MT for FY26. The steel subsidiary (NSL) has finally turned EBITDA and cash positive on a monthly basis (March/April), which should facilitate the liquidation of ₹7,800 Cr in inter-company receivables. The shift toward formula-based pricing is a structural positive for long-term predictability. * **Negatives:** Despite "record" April/May volumes, FY25 production (44 MT) missed the 47-48 MT guidance provided in Q3. EBITDA margins compressed sharply to 37% due to a 7% drop in realizations and a one-off actuarial valuation spike in employee costs. The dividend thesis is under pressure as management signals a potential need to leverage the balance sheet for international acquisitions. * **The Street's Concern:** Investors are wary of NMDC's sudden appetite for high-cost, international coking coal and lithium assets. While strategically sound for India's steel growth, the history of Indian PSUs in global M&A is checkered, and this signals a move away from the high-yield, domestic mining focus that attracted value investors. * **Forward Watchpoint:** Monitor the liquidation of RINL/NSL receivables in Q1 FY26; if the ₹7,800 Cr balance doesn't shrink by at least ₹500-800 Cr, the cash flow story for the ₹4,200 Cr domestic capex will turn precarious.

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2. BUSINESS PERFORMANCE

2A. KEY METRICS *PPT not available for all details — numbers supplemented by Concall and reported financials.*

Metric	Current Qtr (Q4)	YoY Change	QoQ Change	Trend	Mgmt Commentary
Production (LT)	133.07	↑ 1%	→ 0.12%	→	Reached 100% EC capacity; missed FY25 target due to strike.
Sales (LT)	126.68	↑ 1%	↑ 6%	↑	Volume growth driven by domestic demand rebound.
Realization (₹/T)	5,007	↓ 2%	↓ 7%	↓	Pricing hit by soft global sentiment and domestic pricing lags.
Revenue (₹Cr)	6,953	↑ 7%	↑ 6%	↑	Growth purely volume-led as realizations fell.
EBITDA (₹Cr)	2,538	↓ 1%	↓ 9%	↓	Margin compressed by higher opex and lower realization.
EBITDA Margin %	37%	↓ 200 bps	↓ 600 bps	↓	Hit by actuarial valuation spike and realization drop.
PAT (₹Cr)	1,496	↑ 2%	↓ 23%	↓	Lower operating profit partly offset by higher other income.
ROCE (%)	~25% (Annual)	↓	↓	↓	Not in document for Q4; FY25 approx calculation.
Cash Flow (OCF)	Not in document	-	-	↓	Severe WC drag from RINL/NSL receivables (₹7,800 Cr total).
Net Debt / (Cash)	(Net Cash)	→	→	→	Balance sheet remains healthy but WC is absorbing liquidity.
Interest Coverage	~36x	↓	↓	↓	Based on Q4 EBITDA/Finance cost.
Working Capital	Deteriorating	↓	↓	↓	Receivables at ₹7,800 Cr; only RINL/NSL are credit accounts.

2B. SEGMENT BREAKDOWN

Segment	Revenue (□ Cr)	YoY Growth	Margin	Trend	vs Co. Avg	Key Development
Iron Ore	6,343	↓ 1%	~37%	↓	Inline	Core driver; 126.7 LT sold.
Pellets	448 (FY25)	New	Low	→	Below	Job work with KIOCL; shift to DRI grade aimed for FY26.
HR Coil Trd	199 (FY25)	New	<3%	→	Below	Marketing tie-up with NSL; minimal bottom-line impact.

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	~13.85 MT/qtr (Current Q4: 13.3 MT)	Missed FY25 (44 vs 47 MT target)	**Medium**
Guidance	Capex (FY26)	□4,200 Crore	□1,050 Cr/qtr (FY25: □3,700 Cr total)	Delivered record FY25 capex.	**Low**
Guidance	Long-term Volume	100 Million Tons	15% CAGR required over 5 years.	Significant jump from historical ~3% CAGR.	**High**
Strategy	NSL Breakeven	Cash surplus monthly	Maintain 80%+ utilization.	Achieved in Mar/Apr; first positive signal.	**Low**
Strategy	Asset Acquisition	10 critical minerals	TBD based on global bid outcomes.	New territory; high execution risk.	**High**
Macro	Pricing	Index-based pricing	Monthly/Weekly formula updates.	Transitioning now; early days.	**Medium**
Balance	Receivables	Liquidation of □7,800 Cr	Need ~□650 Cr/month recovery.	RINL/NSL started paying □200 Cr/month.	**High**

4. ANALYST Q&A

Q#	Relevance	Analyst / Firm	Theme Cluster	Category	Underlying Concern	Management Response & Investment Implication	Evaded / Not Addressed	Credibility	Verdict
1	4.5	Sumangal Nevatia / Kotak	Receivables	Financials	"Sharp increase in receivables this year to almost INR7,800 crores. What are the key accounts?"	Management identified RINL and NSL as the only credit accounts, stating both have turned cash surplus and are now liquidating dues at ~200 Cr/ month. This implies a significant cash flow unlock in FY26 if NSL's production ramp-up sustains at 80% +.	None	4.0	Specific Targets
2	4.0	Sumangal Nevatia / Kotak	RINL Land	Capex	"What is the business purpose on long-term basis [for RINL land lease]?"	Management confirmed taking 1,167 acres for a slurry pipeline terminal, an 8 MT pellet plant, and a 30 MT mega-blending yard. This signals a strategic shift from mine-head sales to distributed stockyard sales to protect realizations.	None	4.5	Strategic Logic
3	4.0	Sumangal Nevatia / Kotak	Competition	Business	"Lloyds Metals mine... do we see that as some sort of a higher competition for us?"	Management dismissed Lloyds as a major threat, noting they only overlap in the Raipur market which accounts for <10% of NMDC's sales. The overall "size of the cake" is growing faster	None	4.0	Market View

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						than new supply, protecting volume growth.			
4	4.5	Satyadeep Jain / Ambit	Capex	Capex	"When you look at '26, '27 capex... what kind of capex you're looking at?"	Management targets □4,200 Cr for FY26, with sanctioned works already at □40,000 Cr that will hit peak flow in FY27-28. This confirms a prolonged period of high reinvestment, likely limiting special dividend potential.	Peak FY27 #	3.5	Directional
5	4.0	Satyadeep Jain / Ambit	Coking Coal	Strategy	"What is the thought at looking at coking coal? Australia, Indonesia?"	Management is aggressively pursuing operational coking coal mines abroad to secure supply for India's growing blast furnace capacity. This shifts NMDC's risk profile from a domestic miner to a global commodity player with M&A risks.	Exact Targets	3.0	Aggressive Tone
6	3.5	Satyadeep Jain / Ambit	Coal Blocks	Capex	"What is the update there on the Rohne coal blocks?"	Management expects Rohne to become operational in H2 FY26 (Q3/ Q4) following Section 9 land notifications. This is a key milestone for diversification but won't	None	4.0	Specific Timeline

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						contribute to earnings for at least 12-18 months.			
7	4.5	Satyadeep Jain / Ambit	NSL Status	Business	"Nagarnar plant... what led to this loss again in FY '25?"	Management attributed losses to mill breakdowns and dispatch bottlenecks, but noted March/ April turned EBITDA positive on a monthly basis. This is a critical thesis-turning point: NSL is transitionng from a drag to a self-sustaining asset.	None	4.5	Turnaround Signal
8	4.0	Pallav Agarwal / Antique	Pricing	Business	"Domestic pricing outlook... are these price hikes sustaining?"	Management indicated they are moving to index-based/ formula pricing to remove time-lags and accommodate distributed sales. This reduces management's "discretionary" pricing power but adds predictability for long-term planning.	None	4.0	Systemic Change
9	3.5	Pallav Agarwal / Antique	Opex	Financials	"Sharp jump in employee expenses and other expenses. Is this the run rate?"	The Q4 spike was attributed to annual actuarial valuations, while other expenses rose due to new pellet and coil trading verticals (647 Cr total).	None	3.5	Accounting Color

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						Operating costs are normalizing, but trading will continue to inflate "Other Expenses" with low margins.			
10	4.0	Ashish Kejriwal / Nuvama	Evacuation	Business	"Do we have proper infrastructure on evacuation in place [for 55 MT]?"	Management identified plant bottlenecks (downhill conveyors) as the main constraint, not railways, and is debottlenecking to reach 105% capacity. This shifts the monitoring focus from Indian Railways to NMDC's internal engineering execution.	None	4.5	Engineering Detail
11	3.5	Tushar Chaudhari / PL	RM Costs	Business	"Why is our RM cost [at NSL] much higher than industry peers?"	Management explained that high lump usage (32% vs 20% target) and low utilization skewed the numbers, but PCI rates have hit 150 (industry best) recently. Efficiency is improving, but full cost-competitiveness is 2-3 quarters away.	None	3.5	Technical Walk
12	3.5	Sanjay Jain / Investor	Sales Channel	Business	"What's the arrangement with SAIL [for NSL sales]?"	NMDC is using SAIL's stocking yards for 60% of NSL's sales to save on depot creation costs. This is a capital-light	Commercial Cuts	2.5	Vague on Margins

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						strategy that accelerates market reach for the new steel plant.			

PATTERN FLAGS & SENTIMENT * **The "Watershed" Pivot:** Management repeatedly characterized FY26 as a "watershed" year. The anxiety among analysts regarding the massive □70,000 Cr capex plan was met with a very confident, almost hyper-aggressive posture. This signals that NMDC is no longer content being a domestic cash-cow and is pivoting toward becoming a global diversified miner. * **The NSL De-risking:** For the first time, management provided concrete evidence (March/April cash surplus) that the Nagarnar Steel Plant is stabilizing. This significantly reduces the primary overhang on the consolidated balance sheet. * **Analyst Sentiment Verdict:** Analysts remained **skeptical but intrigued**. While the operational turnaround at NSL was welcomed, the shift toward international M&A (coking coal/lithium) and the massive receivables balance generated visible friction. Management's credibility on physical volumes is high, but their ability to manage a global portfolio is untested, leaving the long-term sentiment in a "wait-and-see" mode.

GUIDANCE GAPS REVEALED IN Q&A | Topic | What Mgmt Claimed (Q3) | What Q&A Revealed | Gap / Walk-back | Risk to Thesis | |-------|------------------------|-------------------|-----------------|----------------| | FY25 Volume | 47-48 Million Tons | 44.07 Million Tons | ~7% shortfall vs lower-end of Q3 guidance. | Minimal (Strike explained). | | Receivables | Liquidating | □7,800 Cr total | Balance remains at multi-year highs despite "active" recovery. | High (WC/Cash Flow risk). | | Capex Plan | Domestic Infrastructure | Global Critical Minerals | Expanding scope to include expensive global M&A. | High (Capital Allocation). |

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5. WHAT CHANGED vs PRIOR QUARTER

What Changed	Prior Quarter (Q3)	This Quarter (Q4)	Direction
NSL Profitability	Bleeding cash / Rake issues	EBITDA/Cash Positive (Monthly)	↑ (Improving)
Realizations	□5,361 / Ton	□5,007 / Ton	↓ (Deteriorating)
Strategy Focus	Domestic 100 MTPA goal	Global Multi-mineral M&A	□(Increasing Risk)
Pricing Model	Ad-hoc / Management led	Index / Formula based	↑ (Institutionalizing)
Receivables Balance	□3,400 Cr (RINL only focus)	□7,800 Cr (Total)	↓ (Deteriorating)
New Business	Planning stage	□647 Cr trading revenue	↑ (Scaling)
Opex Headwinds	Royalty/Levies focus	Actuarial valuation/Employee	↓ (Cost Spike)
FY26 Volume Target	~53 Million Tons	55.4 Million Tons	↑ (Aggressive)

Trajectory Signal: The business is successfully transitioning its newest and largest asset (NSL) from a liability to an contributor. However, the core iron ore business is seeing realization pressure, and management is using the resulting "breathing room" to launch a high-risk global expansion. The thesis is shifting from **"Cyclical Value"** to **"Aggressive Growth/M&A"**. Monitoring point: The quality and valuation of the first major Australian/African acquisition.