NMDC Ltd — May 2023 Quarterly Analysis

1. VERDICT & BUSINESS QUALITY SNAPSHOT

Result: Strong Operational Beat / Financial Inline **One-line:** NMDC is successfully pivoting from a stagnant dividend-play to a high-volume growth engine, with Q4 physicals hitting record highs and the Nagarnar Steel Plant (NSL) commissioning finally having a "hard" June-end deadline.

Dimension	This Quarter	Signal / Evidence	Sentiment
Beat/Miss vs Guidance / Prior Quarter	Strong Beat (Physicals)	Q4 production of 141.26 LT is the best-ever, exceeding Q3's 106.63 LT.	□
Earnings Quality	Low (One-off driven)	PAT includes □1,237 Cr exceptional gain (NINL sale + SC relief). Core PAT is ~□1,040 Cr.	□
Guidance Confidence	Strong	Management re-affirmed 46–50 MT volume target for FY24 despite logistics hurdles.	□
Management Credibility	Neutral	NSL commissioning timeline pushed to June-end; however, physical demerger is complete.	□
Business Quality Signal	Improving	Unit realizations recovered to □4,663/T from □3,821/T in Q3, showing domestic price resilience.	□
Key Q&A Exchange	Q10: Panna & Slurry	Panna diamond mine to restart Oct 1; slurry pipeline to de-bottleneck dispatches by FY25.	□
The Street's Primary Anxiety	Cash Leakage/ Buybacks	Management clearly prioritized □2,000-3,000 Cr annual capex over buybacks.	□
Capital Cycle Stage	Investment	Transitioning to "Vision 100 MT" with □8,000 Cr+ earmarked for pipelines/screening.	□
Margin / Return Ratio Trajectory	Stable	EBITDA margin held at 37% (vs 36% in Q3) despite higher royalties at Kumaraswamy.	□
Pricing Power	Stable	Holding a 25-30% discount to landed imports, providing a margin of safety against global dips.	□
FCF Conversion & Quality	Weak	High inventory (124 LT sales vs 141 LT prod) indicates evacuation is still the primary drag.	□
Competitive Moat Signals	Widening	Lowest cost producer status reinforced; symbiotic supply agreement with NSL adds 5 MT offtake.	□
Balance Sheet Strength	Strong	Cash balance of ~□7,000 Cr provides full funding for the next 3 years of capex.	□
Working Capital Efficiency	Deteriorating	Inventory buildup continued in Q4 as production growth outpaced railway rake supply.	□
Mgmt Guidance Track Record	Reliable	Delivered on the "best-ever" Q4 volume promise made in previous calls.	□
Key Vulnerability / Red Flag	Rake Availability	Volume target (50 MT) is entirely dependent on Indian Railways (need 30 rakes/day vs ~16 current).	□
Management Tone	Confident & Growth-oriented	Bullish on "changing the growth trajectory" post-NSL demerger.	□

Key Takeaways (Positives & Negatives): * **Positives:** NMDC achieved its best-ever physical performance in FY23 (Q4 production of 14.1 MT), proving the 50 MT FY24 target is geologically feasible. The Nagarnar Steel Plant (NSL) has a definitive commissioning date of June 30, 2023, which will remove a massive management distraction and create a captive 5 MT/annum iron ore customer. The recovery of ₹950 Cr from the monitoring committee and ₹280 Cr from NINL significantly bolstered the cash position to ~₹7,000 Cr. * **Negatives:** Realizations for FY23 fell 28% YoY, leading to a 41% drop in PAT (excluding one-offs). Management has signaled a shift away from aggressive buybacks, choosing to reinvest cash into the 100 MT expansion and slurry pipelines. The "evacuation gap" remains a persistent risk; NMDC produced 17 LT more than it sold in Q4 alone, highlighting that without the slurry pipeline (FY25), volume growth is hostage to railway rake availability. * **Forward-looking Watchpoint:** The "First Coil" from Nagarnar in June/July 2023 is the primary re-rating trigger. Any further delay would impair management credibility regarding the transition to a pure-play miner.

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2. BUSINESS PERFORMANCE

2A. KEY METRICS

DATA SOURCE: PPT figures are primary. Concall used for Opex/unit and Cash details.

Metric	Current Qtr (Q4 FY23)	YoY Change	QoQ Change	Trend	Mgmt Commentary
Production Volume (LT)	141.26	2% ↑	32% ↑	↑	Best ever physical performance; momentum continuing into April/May.
Realization/unit (₹/T)	4,663	13% ↓	22% ↑	↑	Domestic prices recovered from Q3 lows; 30% discount to East Coast imports.
Opex/unit (₹/T)	2,746	13% ↓	13% ↑	↓	Includes royalty/levies; excludes exceptional income.
Net Debt / (Cash) (₹Cr)	(7,000)	11% ↑	11% ↑	□	Cash increased due to ₹950 Cr SC relief and NINL sale proceeds.
Revenue (₹Cr)	5,851	14% ↓	57% ↑	↑	Volume surge in Q4 significantly offset the YoY price decline.
EBITDA (₹Cr)	2,153	30% ↓	62% ↑	↑	Margin at 37% vs 36% in Q3; healthy recovery from bottom.
PAT (₹Cr)	2,277	22% ↑	64% ↑	↑	Benefited from ₹1,237 Cr exceptional income; Core PAT ~₹1,040 Cr.

2B. SEGMENT BREAKDOWN

Segment	Revenue (₹ Cr)	YoY Growth	Margin	Trend	vs Company Avg	Key Development
Iron Ore	5,787	-13%	37%	↑	Inline	Core driver; record volumes in Q4 (124 LT sales).
Other (Pellet/ Panna)	64	-20%	Negative	↓	Below Avg	Panna mine currently shut; losses to minimize post-Oct restart.

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3. MANAGEMENT OUTLOOK & EXECUTION TRACKER

Dimension	Category	Management Target / Claim	Required Run-Rate / Mathematical Feasibility	Historical Delivery	Risk Flag
Guidance	Volume	46–50 MT (FY24)	Needs 11.5–12.5 MT/qtr. Q4 run-rate was 12.4 MT. Feasible.	Reliable on production.	High (Logistics)
Guidance	Margins	Resilient despite headwinds	Dependent on holding □4,000/T+ realization.	Mixed.	Medium
Guidance	Capex Plan	□2,000 Cr (FY24)	□500 Cr/qtr. Focus on Slurry Pipeline & Screening Plant-3.	High.	Low
Strategy	NSL Comm.	June 30, 2023	Hot metal in mid-June; HR Coils by end-June.	Delayed (Previously Feb).	High
Strategy	Capital Alloc.	Reinvest for 100 MT	Prioritizing Slurry Pipelines (□3,500 Cr) and capacity.	Consistent.	Low
Balance	Receivables	□1,900 Cr pending	Depends on Supreme Court final order on 2012-19 period.	One-off success.	High

4. ANALYST Q&A

Q#	Relevance	Analyst / Firm	Theme Cluster	Category	Underlying Concern	Management Response & Investment Implication	Evaded / Not Addressed	Credibility	Verdict
1	5.0	A. Kejriwal / Nuvama	Steel Plant	Financials	Why is ₹25,000 Cr (sic: ₹2,500 Cr) spent on NSL showing as a non-current asset for NMDC?	Management clarified this is an inter-corporate outstanding representing expenditure between the demerger "appointed date" and "actual date." Repayment to NMDC will occur via NSL's future cash flows or sale proceeds, de-risking the parent balance sheet.	Exact repayment schedule.	4.0	Clear and quantified
2	4.5	A. Kejriwal / Nuvama	Capex	Capex and Allocation	What is the capex outlook for FY24/25?	Management guided for ₹2,000 Cr in FY24, rising to ₹3,000 Cr annually to reach the 100 MT target. This confirms NMDC is entering a heavy reinvestment phase, likely capping dividend upside.	Specific project ROI.	4.0	Specific timeline given
3	4.0	M. Farooq / Pearl	Exports	Business Overview	Why are exports zero when international prices were $180?	Management explained that after 30% export duty and $25/t logistics/ royalty costs, domestic realization remains superior to net export realization. NMDC views	Threshold price for exports.	3.5	Directional

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						exports only as a "Plan B" to maintain volumes if domestic offtake fails.			
4	4.0	S. Jain / Ambit	Logistics	Business Overview	What is the status of the KK9 railway line doubling?	Doubling is 75% complete (110km of 131km), with the remainder expected by end-2024. Incremental benefits are already being reaped, but rake availability remains the ultimate bottleneck.	Contingency for rake shortage.	3.0	Vague on execution
5	4.5	S. Jain / Ambit	Steel Plant	Financials	Will the □2,500 Cr outstanding come back in FY24?	Management expects regular repayments based on plant performance rather than a one-shot bullet payment. This indicates a multi-year recovery profile for the demerger-related receivables.	Specific FY24 amount.	3.0	Deflected
6	4.0	S. Nevatia / Kotak	Receivables	Financials	What is the status of the monitoring committee receivables?	NMDC received □950 Cr (interim relief) and is pursuing □1,900 Cr more for the 2012-2019 period. Any further recovery will flow directly to the bottom line	Final court date.	4.0	Clear and quantified

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						as tax-free income (previously written off).			
7	4.0	K. Kothari / Centrum	Costs	Financials	Will monitoring committee costs (□500-600 Cr/yr) cease?	Costs will halve as the committee is disbanded, but this is offset by an additional 22.5% premium royalty on the Kumaraswamy mine renewal. The net impact is a structural shift in the cost base rather than a pure saving.	Net margin impact.	3.5	Directional
8	4.5	K. Mehta / BOB Cap	Guidance	Management Outlook	Where will the 6-10 MT volume increase come from in FY24?	Growth is driven by Kumaraswamy (7 to 10 MT upgrade) and Bacheli/ Kirandul efficiency upgrades. This implies a 20% volume CAGR is required to hit the 50 MT target.	Regulatory delay risk.	4.0	Quantified target
9	4.0	P. Agarwal / Antique	Coal	Business Overview	Status of Tokisud and Rohne coal blocks?	Tokisud is facing land acquisition hurdles and won't contribute until late FY24; Rohne is a FY25 story. Non-iron ore mining remains a medium-term diversification play with no	None.	3.5	Specific timeline given

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						immediate impact.			
10	4.5	S. Kapoor / Kapoor & Co	Panna/ Pellet	Business Overview	When will the loss-making pellet and diamond units turn around?	Panna diamond mine will restart Oct 1 with new waste-sale permissions; the pellet plant awaits own-tailing usage approvals (4-6 months). These units are currently a ₹154 Cr drag but are expected to break even in FY24.	None.	4.0	Clear and quantified
11	4.0	N. Doshi / Prospero	Steel Plant	Management Outlook	Is there an iron ore supply agreement with NSL?	A long-term agreement is in place for 4.5–5.0 million tonnes per annum at full capacity. This secures nearly 10% of NMDC's current production, reducing merchant market risk.	Pricing formula (Market vs Cost).	3.0	Vague on pricing

PATTERN FLAGS & SENTIMENT Analysts are pivoting from asking about the steel plant's *existence* to asking about its *relationship* with NMDC (receivables and supply). There is significant anxiety regarding the ₹2,500 Cr inter-corporate debt and the ₹1,900 Cr in stuck royalties. Management was defensive but firm on prioritizing capex over buybacks, which frustrated some yield-focused analysts.

Analyst Sentiment Verdict: Skeptical on timelines but bullish on core physicals. The primary friction point remains the capital allocation policy—analysts want cash returned, while management wants to build a 100 MT mining giant. Credibility has improved due to the record Q4 volumes, but the June-end NSL deadline is the final test.

GUIDANCE GAPS REVEALED IN Q&A | Topic | What Mgmt Claimed (Opening) | What Q&A Revealed | Gap / Walk-back | Risk to Thesis | | :--- | :--- | :--- | :--- | :--- | | **NSL Repayment** | "Money will come back" | "Will come back on a regular basis" | Not a lump sum; dependent on NSL's operational profit. | Cash flow delay. | | **Cost Savings** | "Mon. Committee disbanded" | "Offset by 22.5% Kumaraswamy royalty" | Net cost savings are minimal/neutral. | Margin compression. |

5. WHAT CHANGED vs PRIOR QUARTER

What Changed	Prior Quarter (Q3 FY23)	This Quarter (Q4 FY23)	Direction
Realization/Ton	□3,821	□4,663	↑ Improving
Production Run-rate	10.6 MT/qtr	14.1 MT/qtr	↑ Improving
Steel Plant Timeline	"Feb-end listing"	"June-end commissioning"	↓ Delayed
Cash Position	□6,318 Cr	~□7,000 Cr	↑ Improving
Panna Diamond Mine	"On watch"	Restart date set: Oct 1, 2023	↑ Improving
Capital Allocation	"Exploring options"	Prioritizing □3,000 Cr annual capex	□Negative for Yield
One-offs	None	□1,237 Cr exceptional gain	□Quality check

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