NMDC Ltd — Nov 2022 Quarterly Analysis

1. VERDICT & BUSINESS QUALITY SNAPSHOT

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

Result: Weak Miss **One-line:** The business is being squeezed by a "scissors effect" where realizations have halved YoY while fixed-percentage royalties and operational deleverage on lower production are cannibalizing the bottom line.

Dimension	This Quarter	Signal / Evidence	Sentiment
Beat/Miss vs Guidance / Prior Quarter	Weak Miss	PAT down 62% YoY; EBITDA margins contracted from 47% to 38% YoY.	□
Earnings Quality	Low (Cyclical/Regulatory)	Profits are highly sensitive to "Additional Royalty" which fluctuates with market pricing.	□
Guidance Confidence	Weak	Production fell 20% QoQ, failing to maintain the record momentum of Q1.	□
Management Credibility	Neutral	Transparent reporting on "Second Best" vs "Best Ever" metrics.	□
Business Quality Signal	Deteriorating	Return ratios (ROCE/RONW) are in sharp decline as realization/ton hits a multi-quarter low.	□
Key Q&A Exchange	Not applicable	PPT_ONLY mode.	□
The Street's Primary Anxiety	Floor on Realizations	Average Realization fell 48% YoY to 3,890/T; concern is how low it can go before FCF turns negative.	□
Capital Cycle Stage	Consolidation / Subsidiary Investment	Investing in JKMDC, NINL, and Legacy (Australia) while core mining cash flows shrink.	□
Margin / Return Ratio Trajectory	Deteriorating	EBITDA margin down 900 bps YoY and 500 bps QoQ.	□
Pricing Power	Eroding	Price taker in a cooling global/domestic iron ore market; realizations down 36% QoQ.	□
FCF Conversion & Quality	Improving (Working Capital release)	Sales (84.3 LT) exceeded Production (71.1 LT), reversing the Q1 inventory buildup.	□
Competitive Moat Signals	Stable	Scale remains the primary moat, though government levies act as a "reverse-moat."	□
Balance Sheet Strength	Strong	Equity base remains massive; 886 Cr in strategic investments.	□
Working Capital Efficiency	Improving	Successfully liquidated ~13 LT of inventory this quarter.	□
Mgmt Guidance Track Record	Mixed	Production targets for H1 (160 LT) are lagging FY22 pace (176 LT).	□
Key Vulnerability / Red Flag	Royalty De-leveraging	Realizations fell 2,160/T QoQ, but Opex only fell ~500/T, showing high fixed-cost/levy base.	□
Management Tone	Not applicable	No concall provided.	□

Key Takeaways (Positives & Negatives): * **Positives:** NMDC successfully improved its working capital position this quarter by selling 84.32 LT against a production of 71.08 LT, effectively clearing the inventory backlog that built up in Q1. The balance sheet remains a fortress, and the company continues to seed long-term growth through international (Legacy Iron Ore) and domestic (JKMDC/NINL) investments totaling ₹86.72 Cr. * **Negatives:** The core thesis of NMDC as a high-margin cash cow is under heavy pressure. Realizations have plummeted 48% YoY, causing EBITDA to crash by 60%. The "Additional Royalty" burden, while lower in absolute terms this quarter (₹83 Cr vs ₹1,228 Cr in Q1), continues to act as a significant drag on PAT. Production volumes also took a sequential hit, falling 20% QoQ, indicating operational headwinds during the monsoon. * **Forward-looking Watchpoint:** The stabilization of iron ore prices is critical. With realizations now at ₹3,890/T (down from ₹7,443/T a year ago), the margin of safety for the current dividend payout and capex plan is narrowing.

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2. BUSINESS PERFORMANCE

2A. KEY METRICS

DATA SOURCE: Concall not available — commentary absent.

Metric	Current Qtr (FY23 Q2)	YoY Change	QoQ Change	Trend	Mgmt Commentary
Production Volume (LT)	71.08	-19.0% ↓	-20.3% ↓	↓	Seasonal monsoon impact visible; KOL and BCH mines saw significant drops.
Sales Volume (LT)	84.32	-6.2% ↓	+8.1% ↑	↑	Volume growth QoQ driven by inventory liquidation (Sales > Production).
Realization/Ton (₹)	3,890	-47.7% ↓	-35.7% ↓	↓	Pricing: Sharp correction reflecting global commodity cooling and domestic duties.
Opex/Ton (₹)	3,043	-26.9% ↓*	-19.9% ↓	↑	*Appears better due to lower royalties, but core mining costs remain sticky.
Revenue (₹ Cr)	3,328	-51.0% ↓	-30.2% ↓	↓	Massive impact from the halving of average realizations.
EBITDA (₹ Cr)	1,280	-60.0% ↓	-37.4% ↓	↓	Compression driven by lower pricing and operational deleverage.
EBITDA Margin %	38%	-900 bps ↓	-500 bps ↓	↓	Margins have contracted from 47% (YoY) and 43% (QoQ).
PAT (₹ Cr)	889	-62.0% ↓	-39.6% ↓	↓	Bottom line continues to bleed from royalty and realization squeeze.
ROCE (%)	Not stated	Deteriorating	Deteriorating	↓	Implied decline based on 62% drop in PAT.
Net Debt / (Cash) (₹ Cr)	Not stated	First entry	First entry	→	Presentation highlights continued investment in subsidiaries (₹86 Cr).
Working Capital (Inventory LT)	(13.24)	-251% ↓	-218% ↓	↑	Net release of inventory (Sales > Production) is CFO-positive.

2B. SEGMENT BREAKDOWN

Segment	Revenue (₹ Cr)	YoY Growth	Margin	Trend	vs Avg	Key Development
Iron Ore	3,280	-50.9%	39%	↓	In-line	Core business; realizations down to ₹3,890/T from ₹7,443/T.
Other	48	-54.7%	N/A	↓	N/A	Minimal impact on the overall thesis.

3. MANAGEMENT OUTLOOK & EXECUTION TRACKER

Dimension	Category	Management Target / Claim	Required Run-Rate / Mathematical Feasibility	Historical Delivery	Risk Flag
Guidance	Volume / Capacity	H1 Production: 160.28 LT	Needs ~240 LT in H2 to match FY22 (400 LT). High hurdle.	Missed: H1 Production is down 9% YoY.	High
Strategy	Capital Allocation	JKMDC (95.86% holding)	N/A	Progressing.	Medium
Strategy	Capital Allocation	Legacy Iron Ore (90.05%)	Investment of ₹214.7 Cr.	Ongoing international diversification.	Medium
Strategy	Capital Allocation	NINL / BRPL Investments	₹98.35 Cr and ₹152.67 Cr respectively.	Building domestic value chain.	Medium
Macro	Input Cost / RM Prices	Additional Royalty Burden	₹1,611 Cr in H1 FY23.	Non-discretionary; consumes ~20% of revenue.	High

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 (Q1 FY23)	This Quarter (Q2 FY23)	Direction
Realization per Ton	₹6,050	₹3,890	↓ (Sharp)
Production Volume	89.20 LT	71.08 LT	↓
Sales Volume	78.01 LT	84.32 LT	↑ (Inventory Release)
EBITDA Margin	43%	38%	↓
Additional Royalty Levy	₹1,228 Cr	₹383 Cr	↑ (Lower Absolute Burden)
Inventory Status	Buildup (11.19 LT)	Liquidation (13.24 LT)	↑ (Efficiency)
Net Profit (PAT)	₹1,473 Cr	₹889 Cr	↓

STOP HERE.