NMDC Ltd — Nov 2023 Quarterly Analysis

1. VERDICT & BUSINESS QUALITY SNAPSHOT

Result: Strong Beat **One-line:** NMDC continues to shatter operational records with its best-ever Q2 performance, confirming that the "NMDC 2.0" volume-led growth thesis is fully on track despite softening sequential realizations.

Dimension	This Quarter	Signal / Evidence	Sentiment
Beat/Miss vs Guidance	Strong Beat	Production (88.56 LT) and Sales (95.71 LT) are best-ever for Q2; H1 volumes up 22-27% YoY.	□
Earnings Quality	High (Core driven)	Growth driven purely by volume expansion and operational efficiency; stock adjustment provided a □316 Cr tailwind.	□
Guidance Confidence	Strong	Management reaffirmed 47–49 MT target for FY24, with a push toward 50 MT via new project commissioning.	□
Management Credibility	Strong	Achieved record H1 volumes; executed on Australia gold mine commissioning; accelerated capex to 80% of proportionate target.	□
Business Quality Signal	Improving	Pivoting from a merchant miner to a "customized product" provider; international critical mineral optionality is maturing.	□
Key Q&A Exchange	Q# 15 - Cash Usage	Management defended □14,000 Cr cash pile as necessary for "quantum jump" in capex for 100 MT vision.	□
The Street's Primary Anxiety	Pricing & Steel Plant	Concern over sequential realization drop (-15%) and the stall in Nagarnar Steel Plant (NSL) disinvestment.	□
Capital Cycle Stage	Investment	Transitioning into a high-capex phase (□2,200 Cr+ next year) to build 100 MT capacity.	□
Margin Trajectory	Stable	EBITDA margins held at 38% YoY despite □704/T drop in sequential realization.	□
Pricing Power	Stable	Domestic realizations remain superior to export netbacks, providing a floor despite global volatility.	□
FCF Conversion	Strong	Generating enough cash to fund □2,000 Cr annual capex and maintain 40-45% dividend payout.	□
Competitive Moat	Widening	Massive volume scale-up (approaching 50 MT) further lowers unit costs; lowest-cost producer globally.	□
Balance Sheet Strength	Strong	Zero-debt with □14,000 Cr cash (approx. 25% of market cap).	□
Working Capital	Stable	Sales consistently exceeding production in H1 (205 LT vs 195 LT) indicates high demand and inventory clearance.	□
Mgmt Guidance Track Record	Reliable	Consistent delivery on volume growth and project commissioning timelines (Bacheli/Australia).	□
Key Vulnerability	Concentration / Policy	70% of sales to 3 clients; 30% export duty removes the pricing "relief valve" of international markets.	□
Management Tone	Very Confident	"Unprecedented results in H2"; "Transforming from 50 MT to 100 MT."	□

Key Takeaways (Positives & Negatives): * **Positives:** NMDC delivered its best-ever physical performance for any Q2 in history, with production up 25% YoY. The commissioning of the Mt Celia Gold Mine in Australia marks a successful international pivot. Capex execution is significantly ahead of schedule (□1,008 Cr in H1 against a □1,600 Cr target), signaling that long-term capacity expansion is prioritized over idle cash. * **Negatives:** Sequential realizations fell 15% (□4,146 vs □4,850 in Q1), reflecting domestic pricing pressure. The disinvestment of NMDC Steel (NSL) has lost visibility due to regional elections and DIPAM-level delays. High reliance on three major customers (JSW, AMNS, RINL) remains a systemic risk until the stockyard-led diversification strategy bears fruit. * **Forward-looking Watchpoint:** The commissioning of the 5th line at Bacheli and final approvals for Kumaraswamy expansion (total ~4.3 MT capacity) within the next 10 days are the critical catalysts to hitting the 50 MT psychological milestone.

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2. BUSINESS PERFORMANCE

2B. KEY METRICS DATA SOURCE: PPT figures primary. Concall for Opex and Commentary.

Metric	Current Qtr (Q2FY24)	YoY Change	QoQ Change	Trend	Mgmt Commentary
Production (LT)	88.56	25% ↑	-17% ↓	↑	Best ever Q2; volume growth driven by operational momentum.
Sales (LT)	95.71	14% ↑	-13% ↓	↑	Best ever Q2 sales; H1 growth of 27% reflects strong demand.
Realization/Ton (□)	4,146	7% ↑	-15% ↓	→	YoY improvement but sequential drop due to price corrections.
Revenue (□Cr)	4,014	21% ↑	-26% ↓	↑	Volume growth fully offset pricing pressure on a YoY basis.
EBITDA (□Cr)	1,514	18% ↑	-33% ↓	↑	Margin resilient at 38% despite lower sequential realizations.
EBITDA Margin %	38%	0 bps →	-400 bps ↓	→	Performance sustained by lower unit opex and volume leverage.
PAT (□Cr)	1,028	16% ↑	-38% ↓	↑	H1 PAT up 13% YoY; bottom line protected by operational scale.
Opex/unit (□)	1,190	-9% ↓	21% ↑	↑	YoY improvement due to efficiency; QoQ rise due to lower base.
Net Debt / (Cash)	(14,000)	N/A	N/A	→	Cash pile being preserved for massive upcoming capex cycle.
Capex (□Cr)	1,008 (H1)	40% ↑	N/A	↑	Massive acceleration in project execution across mine sites.

2B. SEGMENT BREAKDOWN | Segment | Revenue (□Cr) | YoY Growth | Margin | Trend | vs Avg | Key Development | | :--- | :--- | :--- | :--- | :--- | :--- | :--- | | Iron Ore | 3,968 | 21% | 38% | ↑ | In-line | Core driver; 30/70 Lump/Fine ratio maintained. | | Others/Pellet | 46 | 21% | N/A | → | N/A | Tiny contribution; Donimalai pellet plant still constrained. | | International | 0 (H1) | N/A | N/A | ↑ | N/A | Mt Celia (Australia) gold mine commissioned in Q2. |

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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	47–49 MT (aiming for 50 MT) for FY24.	Needs ~14 MT/qtr in H2. Feasible; H2 is historically 30-40% stronger than H1.	Strong	Low
Guidance	Capex	□1,800–2,000 Cr for FY24.	Needs ~□800-1,000 Cr in H2. Highly feasible given H1 momentum.	Reliable	Low
Strategy	Capacity	100 MT by 2030 (NMDC 2.0).	Requires 11% CAGR. Ambitious but backed by □5,000 Cr/yr future capex plan.	New Target	High
Strategy	Australia	Commission Gold mine & PFS for Magnetite.	Gold mine commissioned; Magnetite PFS on track.	Delivered	Low
Strategy	NSL	Disinvestment via DIPAM.	Timeline unclear; dependent on Govt/ Elections.	Delayed	High
Macro	Logistics	Doubling of railway line by end FY24.	100/131 km done. Final sections are the toughest; risk of spillover.	Mixed	Medium

4. ANALYST Q&A

Q#	Rel.	Analyst / Firm	Theme Cluster	Category	Underlying Concern	Management Response & Investment Implication	Evaded	Cred.	Verdict
1	4.5	Kamlesh Jain / Lotus	Realizations	Financials	"Why such a big discount (45%+) to import prices and low realizations in Karnataka?"	Management clarified that domestic realizations remain higher than export netbacks after factoring 30% duty and freight, despite appearing discounted. Implication: Pricing floor is set by domestic logic, not global parity; Karnataka headroom exists due to IBM price lags.	None	4.0	Economic Logic
2	4.0	Alok Deora / Motilal	Volume	Outlook	"Are we sticking to the 47-49 MT target and status of Bacheli expansion?"	Reconfirmed target, noting that the 2 MT Bacheli line and 2.3 MT Kumaraswamy expansion will be online within days. Implication: Significant volume ramp-up in H2 is de-risked by physical infrastructure completion.	None	5.0	High Visibility
3	4.5	Alok Deora / Motilal	Steel Plant	Strategy	"Update on NMDC Steel (NSL) divestment status?"	Management admitted a lack of clear visibility on timeline due to elections, though the draft SPA has been vetted. Implication: The disinvestment catalyst is currently stalled, moving back into the "overhang" category for the near term.	DIPAM timeline	2.5	Delayed Trigger
4	4.0		Pricing	Financials			None	4.0	

Q#	Rel.	Analyst / Firm	Theme Cluster	Category	Underlying Concern	Management Response & Investment Implication	Evaded	Cred.	Verdict
		Ashish Kejriwal / Nuvama			"Why were fine prices up 11% while lump prices declined 2% YoY?"	Management noted that demand for fines is currently stronger than lumps, allowing for better pricing headroom in that segment. Implication: Shift in product demand profile protects overall realizations even if lump prices soften.			Demand Shift
5	4.5	Ashish Kejriwal / Nuvama	Projects	Capex	"Status of SP3 Kirandul, Slurry Pipeline, and Pellet Plant expansion?"	SP3 delayed to 2025 due to wall issues, but evacuation capacity will still rise; Pellet plant being redesigned to 6 MT (from 2 MT). Implication: Long-term vertical integration is being prioritized over immediate smaller-scale projects.	None	4.0	Strategic Pivot
6	4.0	Vikash Singh / PhillipCap	Capex	Capex	"Will capex intensity come down next year?"	Management guided for higher capex (□2,200-2,300 Cr) next year for SP2 Donimalai and 100 MT infrastructure. Implication: Company is entering a high-reinvestment phase, which may cap dividend growth despite high cash.	None	4.5	Aggressive Growth
7	3.5	Kirtan Mehta / BOB Cap	FY25 Outlook	Outlook	"How do we see FY25	Stagnation expected at 51-53 MT for	None	4.0	Realistic Outlook

Q#	Rel.	Analyst / Firm	Theme Cluster	Category	Underlying Concern	Management Response & Investment Implication	Evaded	Cred.	Verdict
					production evolving?"	FY25 due to EC limits; major ramp-up only after 24 months once new ECs are obtained. Implication: Volume growth will plateau temporarily in FY25 before the next leg of expansion.			
8	4.0	Kirtan Mehta / BOB Cap	Customization	Strategy	"What is the potential of the 'customized product' route?"	Management is studying segmenting products for Blast Furnaces vs Sponge Iron, targeting a 15-20% jump in realizations. Implication: Strategic move to decouple from vanilla iron ore pricing and capture value-added margins.	ROI specifics	3.0	Work in Progress
9	4.5	Ritesh Shah / Investec	Australia	Strategy	"Scope of Australia Gold, Magnetite, and Lithium operations?"	Gold mine is active; Magnetite has 1.5B tonnes potential; Lithium is in pre-PFS stage with high-promising terrain. Implication: Massive "option value" in critical minerals that is not yet priced into the stock.	IRRs	3.5	Optionality
10	4.0	Mohammed Farooq	Cash usage	Allocation	"Why is □14,000 Cr sitting idle on the balance sheet?"	Management explained the cash is being deployed for a "quantum jump" in capex (□4,000-5,000 Cr/yr) in 3-4 years. Implication: High	None	3.5	Capital Intensive

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						cash is a war chest for "NMDC 2.0" rather than a signal for a massive special dividend or buyback.			

PATTERN FLAGS & SENTIMENT * **Theme: Operational Record vs. Pricing Softness.** Analysts repeatedly questioned why record volumes weren't translating into explosive profit growth. Management successfully argued that volume scale-up is the primary defense against volatile realizations and high fixed royalty burdens. * **Theme: Strategic Reorientation.** A significant portion of the call was dedicated to "NMDC 2.0"—customizing products, building stockyards, and international critical minerals. Analysts were curious but cautious, as these initiatives have long lead times. * **Analyst Sentiment Verdict:** Analysts were impressed by the physical volume beat but remain skeptical of the timeline for Nagarnar's disinvestment and the realization of value from Australian assets. Management's credibility on "physical delivery" is at an all-time high, but the "valuation unlock" (divestment) remains the primary point of friction.

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5. WHAT CHANGED vs PRIOR QUARTER

What Changed	Prior Quarter (Q1)	This Quarter (Q2)	Direction
Sales Realization	□4,850/T	□4,146/T	15% ↓
Volume Outlook	47-49 MT	Closer to 50 MT	□Improving
Capex Run-rate	Start of cycle	80% of H1 target met	□Improving
International	Exploration	Gold Mining Commenced	□Executed
Steel Plant Status	Commissioning phase	Operational (45%) / Divestment Stalled	□Neutral
Pellet Strategy	2 MT target	6 MT (Redesign)	□Long-term ↑
Product Strategy	Vanilla Miner	Customized Product (McKenzie/BCG Study)	□Strategy ↑
Management Tone	Cautiously Optimistic	Aggressively Transformational	□Sentiment ↑

INVESTOR NOTES: The thesis remains firmly intact for long-term investors. NMDC is successfully using its lowest-cost-producer status to fund a massive capacity expansion that will eventually see it double in size. While the realization drop sequentially is a headwind, the volume-led growth in H2 (with Bacheli and Kumaraswamy coming online) should provide a strong earnings cushion. The Australian gold commissioning proves management can execute beyond Indian borders. **The primary risk is a prolonged delay in the NSL disinvestment, which remains the main trigger for a valuation re-rating.**

STOP HERE.