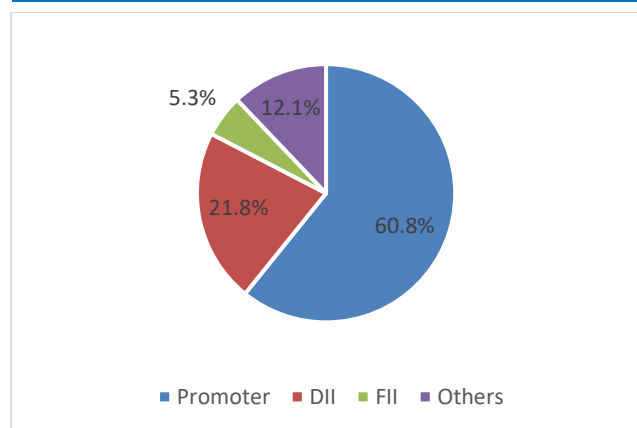


## VALUE PARAMETERS

Face Value (Rs.)	1.00
EPS (TTM)	35.48
52-Week High/Low	213.2/122
M.Cap (Rs. in Cr.)	45,571
P/E Ratio (TTM)	4.38
Sector P/E	6.85
P/B Ratio (calc at CMP)	1.22
Dividend Yield (%)	4.99
Stock Exchange	NSE

## SHAREHOLDING PATTERN



## FINANCIAL PERFORMANCE

	ACTUAL	FORECAST	
	FY Mar-21	FY Mar-22	FY Mar-23
Sales (Rs. m)	153,701	255,909	178,092
EBITDA (Rs. m)	87,959	123,356	70,723
EBITDA margin	57.2	48.2	39.7
PAT (Rs. m)	65,959	94,761	55,811
EPS (Rs)	22.5	32.3	19.0
ROE	23.0	29.3	15.3
ROCE	28.6	35.2	17.7
DPS	7.8	14.7	8.6

**Our Recommendation:** As per the present scenario of increasing demand of iron ore for domestic and foreign markets, strong financials, upcoming steel plant in July 2022, we estimate the company will outperform in coming quarters. Thus, we recommend BUY in price range Rs. 150-160 with target price 190 (Upside 21%).

**Investment Rationale:**

- NMDC is a Navratna PSU under Ministry of Steel, Govt. of India. NDMC is the single largest producer of iron ore in India. The company owns and operates highly merchandized iron ore mines in CG & Karnataka. NMDC is one of the low-cost producers of iron ore in the world. It also operates the only merchandized diamond mine in India at Panna, MP. The company is also diversifying into other commodities such as steel making, raw materials (coking coal, manganese ore nickel); fertilizer raw materials (rock phosphate potash), and thermal coal. Company has undertaken several capital intensive projects to modernise and increase capacities to retain its domestic leadership and has also forayed overseas successfully. It is also engaged in the production and sale of diamond, sponge iron and wind power. The core operation produces mineral resources, jobs and infrastructure. The resources company develop create a global value chain that includes exploration, development, extraction, processing, transportation, marketing and logistics, through which company generate economic value.
- In Quarter ended December 2021, Net Sales at Rs 5,873.77 crore in December 2021 up 34.87% from Rs. 4,355.10 crore in December 2020. Although quarterly Net Profit is down by 2.81% at Rs. 2,049.67 crore in December 2021 from Rs. 2,108.91 crore in December 2020. EBITDA stood at Rs. 2,765.27 crore in December 2021 down 3.76% from Rs. 2,873.39 crore in December 2020. NMDC EPS has increased to Rs. 6.99 in December 2021 from Rs. 6.89 in December 2020. NMDC shares closed at 153.40 on February 08, 2022 (NSE).
- Key Highlights:**

NMDC Ltd has conducted an e-auction for sale of rough diamonds produced at its Panna mines in Madhya Pradesh. The e-auction received an overwhelming response from diamond merchants of Surat, Mumbai and Panna.

NMDC on March 10, 2022 hiked the prices of lump ore and fines by Rs 400 a tonne each with immediate effect.

The company said it has fixed the prices of per tonne lump ore at Rs 6,000 and that of fines at Rs 4,960 a tonne.

February production at 4.31 million tons vs 3.86 million tons YoY. Sales at 3.97 million tons vs 3.25 million tons YoY.

**Risks:**

- Deflation in global prices.
- Competition in domestic market from Odisha based miners.
- Continued loss at pellet plant.

## Financials and Valuations

### Income Statement (Rs m)

Y/E March	2017	2018	2019	2020	2021
<b>Net sales</b>	<b>88,294</b>	<b>1,16,149</b>	<b>1,21,527</b>	<b>1,16,992</b>	<b>1,53,701</b>
<b>Total Expenses</b>	<b>43,350</b>	<b>52,951</b>	<b>50,110</b>	<b>54,789</b>	<b>65,742</b>
Iron ore cost (INR/ton)	1217	1468	1549	1739	1995
<b>EBITDA</b>	<b>44,944</b>	<b>63,198</b>	<b>71,416</b>	<b>62,203</b>	<b>87,959</b>
% of Net Sales	50.9	54.4	58.8	53.2	57.2
EBITDA per ton ore	1,262	1,752	2,207	1,974	2,669
Dep. & Amortization	1,962	2,560	2,789	2,869	2,278
<b>EBIT</b>	<b>42,982</b>	<b>60,638</b>	<b>68,628</b>	<b>59,334</b>	<b>85,680</b>
Net Interest		371	403	99	168
Other income	9,088	5,197	5,883	5,138	3,499
<b>PBT before EO</b>	<b>52,070</b>	<b>65,464</b>	<b>74,107</b>	<b>64,373</b>	<b>89,011</b>
EO income	-8,933	-5,309	-2,120	-10,778	
<b>PBT after EO</b>	<b>43,137</b>	<b>60,155</b>	<b>71,987</b>	<b>53,596</b>	<b>89,011</b>
Tax	17,038	22,093	25,565	17,413	26,485
Rate (%)	39.5	36.7	35.5	32.5	29.8
<b>Reported PAT</b>	<b>26,099</b>	<b>38,062</b>	<b>46,422</b>	<b>36,183</b>	<b>62,527</b>
<b>Adjusted PAT</b>	<b>31,504</b>	<b>41,421</b>	<b>47,789</b>	<b>46,886</b>	<b>65,959</b>

### Balance Sheet (Rs m)

Y/E March	2017	2018	2019	2020	2021
Share Capital	3,164	3,164	3,062	3,062	2,931
Reserves	2,22,026	2,40,374	2,56,453	2,72,278	2,94,631
<b>Shareholders' funds</b>	<b>2,25,189</b>	<b>2,43,538</b>	<b>2,59,515</b>	<b>2,75,340</b>	<b>2,97,561</b>
<b>Loans</b>		<b>5,001</b>	<b>3,642</b>	<b>5,656</b>	<b>19,945</b>
Long-term Provisions	6,112	7,141	7,684	8,334	9,497
<b>Capital Employed</b>	<b>2,31,301</b>	<b>2,55,680</b>	<b>2,70,841</b>	<b>2,89,329</b>	<b>3,27,003</b>
Gross Block	39,724	49,473	52,752	58,878	62,391
Less: Accum. Deprn.	20,196	22,756	25,545	28,414	30,692
<b>Net Fixed Assets</b>	<b>19,528</b>	<b>26,717</b>	<b>27,207</b>	<b>30,464</b>	<b>31,699</b>
Capital WIP	1,18,314	1,25,199	1,37,925	1,54,716	1,70,767
Investments	7,270	7,865	9,393	9,856	9,849
<b>Curr. Assets</b>	<b>1,11,909</b>	<b>1,26,311</b>	<b>1,23,295</b>	<b>1,16,404</b>	<b>1,55,535</b>
Inventories	5,400	5,717	6,662	7,235	9,217
Sundry Debtors	10,435	14,727	14,245	22,237	21,399
Cash and Bank	52,893	54,382	46,077	23,923	58,060
Loans and Advances	43,181	51,484	56,311	63,008	66,859
<b>Curr. Liability &amp; Prov.</b>	<b>25,719</b>	<b>30,411</b>	<b>26,979</b>	<b>22,103</b>	<b>40,846</b>
Sundry Creditors	1,988	1,595	2,027	2,256	3,602
Other Liabilities & prov.	23,731	28,815	24,952	19,848	37,244
<b>Net Current Assets</b>	<b>86,190</b>	<b>95,900</b>	<b>96,316</b>	<b>94,301</b>	<b>1,14,689</b>
<b>Application of Funds</b>	<b>2,31,301</b>	<b>2,55,680</b>	<b>2,70,841</b>	<b>2,89,336</b>	<b>3,27,003</b>

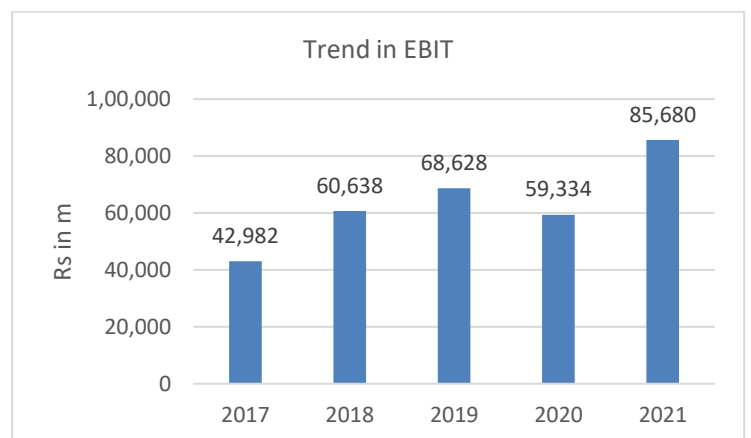
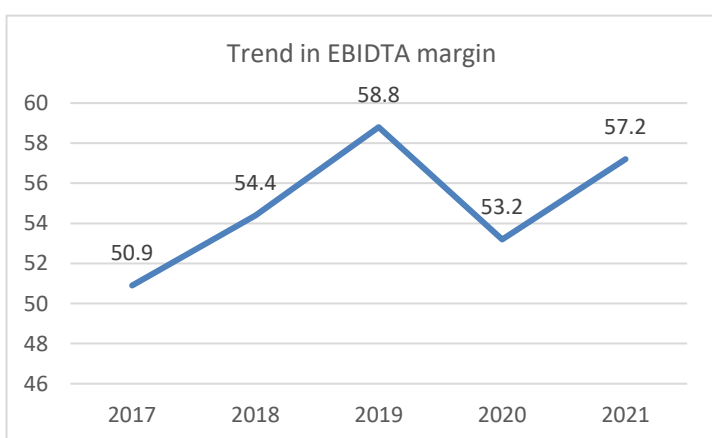
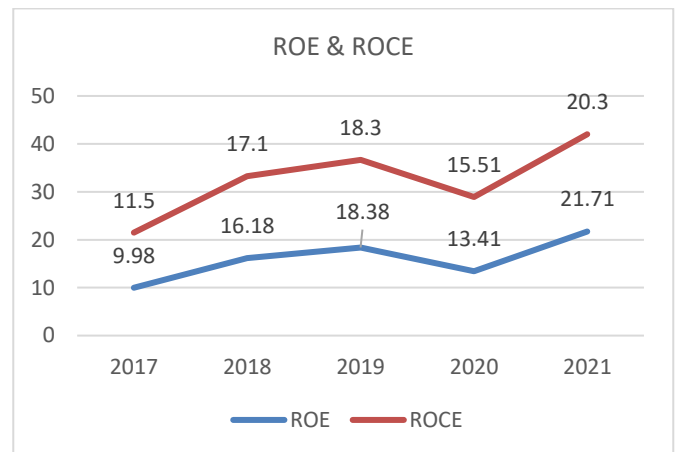
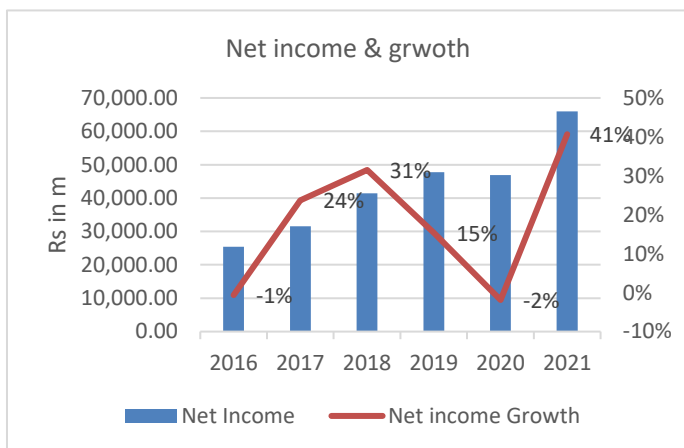
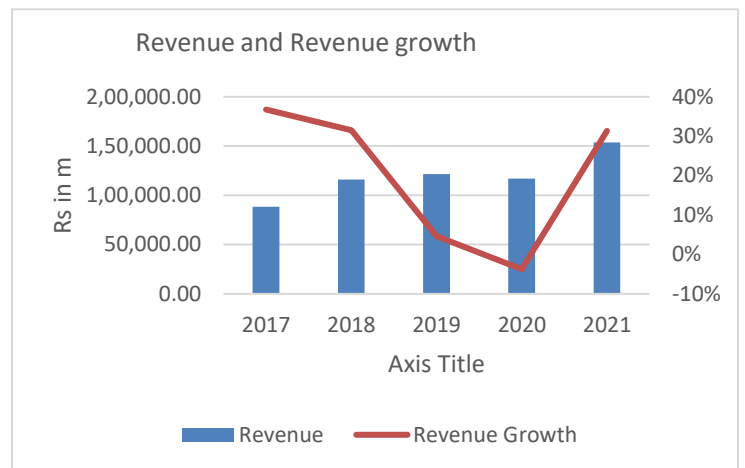
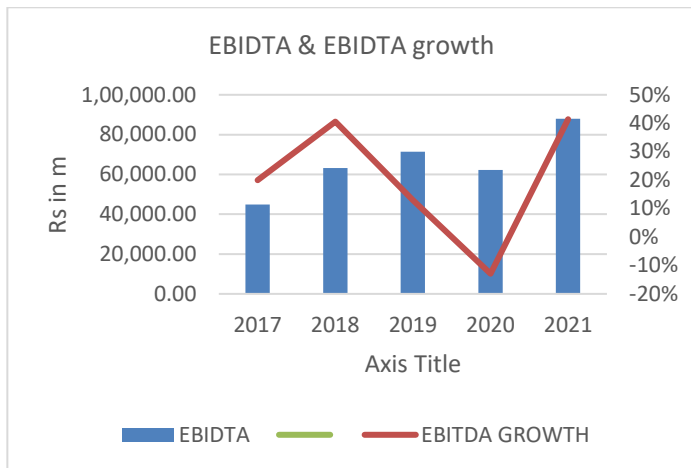
## Financials and Valuations

### Ratios

Y/E March	2017	2018	2019	2020	2021
<b>Basic (INR)</b>					
<b>EPS</b>	<b>10.0</b>	<b>13.1</b>	<b>15.6</b>	<b>15.3</b>	<b>22.5</b>
Cash EPS	10.6	13.9	16.5	16.2	23.3
BV/Share	71.2	77.0	84.8	89.9	101.5
DPS	5.2	5.3	5.5	5.3	7.8
Payout (%)	74.9	62.9	45.9	54.0	36.4
<b>Valuation (x)</b>					
P/E	16.55	9.86	6.90	6.86	6.31
P/BV	1.86	1.54	1.22	0.89	1.33
EV/EBITDA	8.17	5.04	3.86	3.52	3.91
Dividend Yield (%)	3.4	3.5	3.6	3.5	5.1
<b>Return Ratios (%)</b>					
EBITDA Margins	50.9	54.4	58.8	53.2	57.2
Net Profit Margins	35.7	35.7	39.3	40.1	42.9
RoE	9.98	16.18	18.38	13.41	21.71
RoCE	11.5	17.1	18.3	15.5	20.3
<b>Working Capital Ratios</b>					
Fixed Asset Turnover (x)	2.2	2.3	2.3	2.0	2.5
Asset Turnover (x)	0.4	0.5	0.4	0.4	0.5
Debtor (Days)	43	46	43	69	51
Inventory (Days)	22	18	20	23	22
Creditors (Days)	8	5	6	7	9
<b>Leverage Ratio (x)</b>					
Current Ratio	4.4	4.2	4.6	5.3	3.8
Debt/Equity	-0.2	-0.2	-0.2	-0.1	-0.1

### Cash Flow Statement

Y/E March	2017	2018	2019	2020	2021
Pre-tax profit	43,137	60,155	71,987	53,596	89,011
Depreciation	1,962	2,560	2,789	2,944	2,278
(Inc)/Dec in Wkg. Cap.	13,117	-8,676	-8,629	-21,434	5,277
Tax paid	-18,942	-23,432	-26,024	-23,047	-24,877
Other operating activities	406	3,205	346	8,545	1,615
<b>CF from Op. Activity</b>	<b>39,679</b>	<b>33,812</b>	<b>40,469</b>	<b>20,604</b>	<b>73,305</b>
(Inc)/Dec in FA + CWIP	-23,505	-20,524	-19,972	-23,990	-15,981
(Pur)/Sale of Investments	-316	-2,523	7,661	17,155	312
Others		6,294	(3,504)	(18,391)	2,412
<b>CF from Inv. Activity</b>	<b>-23,821</b>	<b>-16,753</b>	<b>-15,816</b>	<b>-25,226</b>	<b>-13,256</b>
Equity raised/(repaid)	-76,078		-10,067		-17,006
Interest paid		-369	-401	-97	-166
Debt raised/(repaid)	-14,970	5,001	-1,359	2,014	14,289
Dividend (incl. tax)	-19,553	-23,923	-21,321	-19,525	-22,733
Other financing activities		3721	190	77	-296
<b>CF from Fin. Activity</b>	<b>-1,10,601</b>	<b>-15,570</b>	<b>-32,959</b>	<b>-17,531</b>	<b>-25,912</b>
<b>(Inc)/Dec in Cash</b>	<b>-94,743</b>	<b>1,490</b>	<b>-8,305</b>	<b>-22,154</b>	<b>34,137</b>
Add: opening Balance	1,47,636	52,893	54,382	46,077	23,923
<b>Closing Balance</b>	<b>52,893</b>	<b>54,382</b>	<b>46,077</b>	<b>23,923</b>	<b>58,060</b>



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