

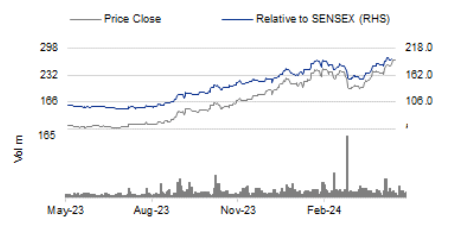
India

ADD (no change)

Consensus ratings*: Buy 10 Hold 4 Sell 8

Current price:	Rs269
Target price: ▲	Rs319
Previous target:	Rs220
Up/downside:	18.6%
InCred Research / Consensus:	37.3%
Reuters:	NMDC.BO
Bloomberg:	NMDC IN
Market cap:	US\$9,455m Rs789,505m
Average daily turnover:	US\$48.9m Rs4082.9m
Current shares o/s:	2,930.7m
Free float:	39.2%

*Source: Bloomberg



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	23.6	10.6	148.9
Relative (%)	24.2	8.0	105.6

Major shareholders	% held
Promoter & Promoter Group	60.8
Life Insurance Corporation of India	9.2
Parag Parekh	1.9

NMDC

Stock to trade at higher multiples

- Iron ore prices are rising and may stay above the current levels. The uptrend is likely to result in higher FY25F/26F realization of ~Rs5,500-5,750/t.
- We estimate EPS of Rs22.4/Rs27.2/Rs30.7 for FY24F/25F/26F, respectively.
- We value the stock at 6.5x FY26F EV/EBITDA and introduce a new target price of Rs319 (Rs220 earlier).

Indian iron ore prices to rise

Indian iron ore prices are witnessing an upward trend. Most merchant miners are not able to even export the iron ore (after a 30% export duty on iron ore grade above 58%), let alone sell in the domestic market. The crazy bidding, at premiums close to 100% of Indian Bureau of Mines' (IBM) prices, have rendered these players unviable even when it comes to captive usage of iron ore. While NMDC is likely to ramp up its production, it's not enough to meet the requirements of the market in sufficient quantity. Please note that our calculations indicate that the worst of the iron ore inventory scenario is over and hence, it's unlikely that the government of India will discourage ore/pellet exports. We have already highlighted in our sector report that Indian iron ore prices are on an upward trajectory. Prices will remain firm unless we see a dramatic collapse in global iron ore prices to US\$50-60/t levels (which is unlikely, in our view). The depreciating yuan and Chinese penchant to keep export volume up will lead to pressure on global steel prices but make its steel production viable.

Upward volume trajectory

NMDC has received the Environmental Clearance (EC) for an additional 3mt of production capacity. This year, if the operations commence this month, more than 2mt can be easily added. Additionally, a 2mt capacity upgrade project at Bachel in Chhattisgarh is set to be commissioned this month, contributing 1.5mt. In the light of these developments, NMDC has given production range guidance of 47-49mt this year, potentially reaching 50mt, with the expectation of topping 50mt next year. However, we have estimated 48mt of production for FY25F and 52mt for FY26F.

Raise our target price to Rs319; reiterate ADD rating

We estimate EPS of Rs27.2/Rs30.8 for FY25F/26F, respectively. For FY25F/26F, we have factored in realization at Rs5,500/Rs5,750, respectively, because of higher iron ore prices followed by increased volume. We have increased our valuation of the stock to 6.5x Sep FY26F EV/EBITDA and reiterate ADD rating on it with a higher target price of Rs319 (Rs220 earlier). Downside risk: A drop in iron ore prices could result in lower EPS and, as a result, a lower stock price.

Research Analyst(s)

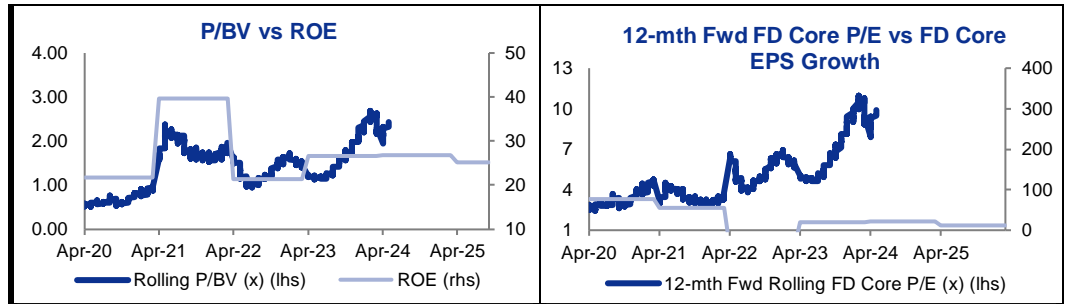
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Financial Summary	Mar-22A	Mar-23A	Mar-24F	Mar-25F	Mar-26F
Revenue (Rsm)	259,648	176,669	225,000	264,000	299,000
Operating EBITDA (Rsm)	126,253	60,561	82,993	100,064	114,452
Net Profit (Rsm)	94,428	55,224	65,727	79,837	90,102
Core EPS (Rs)	32.2	15.8	22.4	27.2	30.7
Core EPS Growth	55.0%	(51.0%)	42.1%	21.5%	12.9%
FD Core P/E (x)	8.36	14.30	12.01	9.89	8.76
DPS (Rs)	5.5	5.3	6.7	8.2	9.2
Dividend Yield	2.04%	1.97%	2.50%	3.04%	3.43%
EV/EBITDA (x)	5.69	11.80	7.99	6.16	4.90
P/FCFE (x)	83.09	12.32	12.08	14.13	11.73
Net Gearing	(34.4%)	(29.7%)	(43.4%)	(50.3%)	(56.4%)
P/BV (x)	4.42	3.54	2.93	2.43	2.03
ROE	39.6%	23.0%	26.7%	26.8%	25.2%
% Change In Core EPS Estimates				6.54%	6.26%
InCred Research/Consensus EPS (x)					

SOURCE: INCRED RESEARCH, COMPANY REPORTS

BY THE NUMBERS



Profit & Loss

(Rs mn)	Mar-22A	Mar-23A	Mar-24F	Mar-25F	Mar-26F
Total Net Revenues	259,648	176,669	225,000	264,000	299,000
Gross Profit	266,207	175,366	223,650	262,560	297,440
Operating EBITDA	126,253	60,561	82,993	100,064	114,452
Depreciation And Amortisation	(2,869)	(3,354)	(3,381)	(3,982)	(4,296)
Operating EBIT	123,384	57,207	79,612	96,081	110,156
Financial Income/(Expense)	(391)	(752)			
Pretax Income/(Loss) from Assoc.					
Non-Operating Income/(Expense)	7,185	7,479	11,010	13,990	14,065
Profit Before Tax (pre-EI)	130,179	63,933	90,623	110,072	124,220
Exceptional Items		12,373			
Pre-tax Profit	130,179	76,306	90,623	110,072	124,220
Taxation	(35,751)	(21,082)	(24,896)	(30,235)	(34,119)
Exceptional Income - post-tax					
Profit After Tax	94,428	55,224	65,727	79,837	90,102
Minority Interests					
Preferred Dividends					
FX Gain/(Loss) - post tax					
Other Adjustments - post-tax					
Net Profit	94,428	55,224	65,727	79,837	90,102
Recurring Net Profit	94,428	46,269	65,727	79,837	90,102
Fully Diluted Recurring Net Profit	94,428	46,269	65,727	79,837	90,102

Cash Flow

(Rs mn)	Mar-22A	Mar-23A	Mar-24F	Mar-25F	Mar-26F
EBITDA	126,253	60,561	82,993	100,064	114,452
Cash Flow from Invt. & Assoc.					
Change In Working Capital	(46,825)	20,062	(1,771)	(7,982)	(7,146)
(Incr)/Decr in Total Provisions					
Other Non-Cash (Income)/Expense	6,868	1,661	17,957	(32)	(34)
Other Operating Cashflow	2,914	15,327	11,080	14,060	14,134
Net Interest (Paid)/Received	(391)	(752)			
Tax Paid	(43,478)	(20,685)	(24,896)	(30,235)	(34,119)
Cashflow From Operations	45,341	76,173	85,362	75,875	87,287
Capex	(30,327)	(14,049)	(20,000)	(20,000)	(20,000)
Disposals Of FAs/subsidiaries					
Acq. Of Subsidiaries/investments	(24,133)	9,980			
Other Investing Cashflow	4,198	5,583			
Cash Flow From Investing	(50,262)	1,514	(20,000)	(20,000)	(20,000)
Debt Raised/(repaid)	14,423	(13,623)			
Proceeds From Issue Of Shares					
Shares Repurchased					
Dividends Paid	(43,195)	(10,993)	(19,739)	(23,972)	(27,051)
Preferred Dividends					
Other Financing Cashflow	(389)	(750)			
Cash Flow From Financing	(29,161)	(25,366)	(19,739)	(23,972)	(27,051)
Total Cash Generated	(34,082)	52,321	45,623	31,903	40,236
Free Cashflow To Equity	9,502	64,064	65,362	55,875	67,287
Free Cashflow To Firm	(4,530)	78,439	65,362	55,875	67,287

SOURCE: INCRED RESEARCH, COMPANY REPORTS

BY THE NUMBERS...cont'd

Balance Sheet					
(Rs mn)	Mar-22A	Mar-23A	Mar-24F	Mar-25F	Mar-26F
Total Cash And Equivalents	79,394	70,480	120,947	167,850	223,086
Total Debtors	29,543	26,560	33,826	39,689	44,951
Inventories	21,252	26,606	33,884	39,758	45,029
Total Other Current Assets	26,636	33,962	33,962	33,962	33,962
Total Current Assets	156,825	157,609	222,620	281,259	347,028
Fixed Assets	36,802	43,403	54,198	55,216	55,920
Total Investments	9,873	8,867	9,849	9,849	9,849
Intangible Assets					
Total Other Non-Current Assets	44,026	69,538	51,582	51,613	51,647
Total Non-current Assets	90,701	121,808	115,629	116,678	117,416
Short-term Debt	17,925	4,160	4,160	4,160	4,160
Current Portion of Long-Term Debt					
Total Creditors	6,645	4,258	5,422	6,362	7,206
Other Current Liabilities	31,723	33,571	45,179	47,994	50,537
Total Current Liabilities	56,293	41,988	54,761	58,516	61,903
Total Long-term Debt					
Hybrid Debt - Debt Component					
Total Other Non-Current Liabilities	1,561	1,550	1,550	1,550	1,550
Total Non-current Liabilities	1,561	1,550	1,550	1,550	1,550
Total Provisions	10,920	12,556	12,556	12,556	12,556
Total Liabilities	68,774	56,094	68,867	72,622	76,009
Shareholders Equity	178,753	223,323	269,381	325,315	388,435
Minority Interests					
Total Equity	178,753	223,323	269,381	325,315	388,435

Key Ratios					
	Mar-22A	Mar-23A	Mar-24F	Mar-25F	Mar-26F
Revenue Growth	68.9%	(32.0%)	27.4%	17.3%	13.3%
Operating EBITDA Growth	44.0%	(52.0%)	37.0%	20.6%	14.4%
Operating EBITDA Margin	48.6%	34.3%	36.9%	37.9%	38.3%
Net Cash Per Share (Rs)	20.97	22.63	39.85	55.85	74.70
BVPS (Rs)	60.99	76.20	91.92	111.00	132.54
Gross Interest Cover	315.88	76.04			
Effective Tax Rate	27.5%	27.6%	27.5%	27.5%	27.5%
Net Dividend Payout Ratio	17.1%	36.3%	30.0%	30.0%	30.0%
Accounts Receivables Days	35.81	57.95	48.98	50.82	51.66
Inventory Days	(847.78)	6,701.50	8,177.37	9,333.10	9,918.89
Accounts Payables Days	(285.11)	1,526.61	1,308.59	1,493.53	1,587.27
ROIC (%)	34.3%	34.6%	35.6%	44.4%	48.2%
ROCE (%)	48.0%	27.0%	31.8%	31.9%	30.5%
Return On Average Assets	30.8%	16.5%	21.3%	21.7%	20.9%

SOURCE: INCRED RESEARCH, COMPANY REPORTS

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