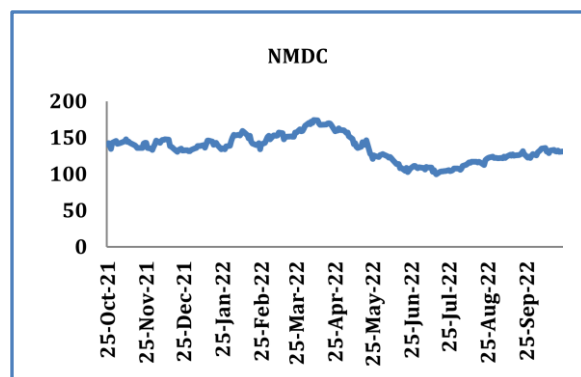


**NMDC LTD.**

Industry	Mining & Minerals
No. of Shares (Crore)	293.06
Face value (Rs.)	1.00
Mkt. Cap (Rs. Crore)	38,259.06
Price (21/10/2022)	130.55
Book Value (Rs)	124.39
P/BV	1.05
BSE Code	526371
NSE Code	NMDC
Bloomberg	NMDC IN
Reuters	NMDC.BO
Avg. Weekly Volume (NSE)	88,81,928
52 W H/L (Rs)	175.40 / 99.60
<b>Shareholding Pattern</b>	<b>%</b>
Indian Promoters	60.79
Institutions	20.99
Non- Institutions	18.22
<b>Total</b>	<b>100.00</b>
<b>(As on September 30, 2022)</b>	
<b>Recommendation</b>	
<b>NEUTRAL</b>	


**Company Background**

NMDC Ltd (NMDC) is a PSU under the Ministry of Mines with 60.79% stake held by the Government of India. At the moment, NMDC is the single largest iron ore producer in the country with production of 42 Mn Tons Per Annum at the end of FY22, spread across its mines in Karnataka and Chattisgarh. It has finished constructing a 3 Million Tons integrated steel plant in Nagarnar, Chattisgarh and has received approval from the Ministry of Corporate Affairs (MCA) for demerger of the same in October 2022.

**Key Points**

- NMDC had made an investment of Rs 23,000 Cr to set up the integrated steel plant as a part of the Government of India's mission to augment the steel capacity of the country to 300 Million Tons by 2030. Construction of the plant had commenced in 2015. The plant is expected to be commissioned in March 2023.
- NMDC in its vision 2025 had specified that its role would be that of a developer for steel plants and that it would invite investors to commission and operate the plants at a suitable time. Accordingly, the iron ore producer proposed a scheme to add more value to its stakeholders by demerging the steel business into a separate company
- As a part of the scheme, assets of Rs 18,650 Cr and liabilities of Rs 1,602 Cr will be demerged to NMDC Steel.
- **The swap ratio of entitlement of shares of the resulting steel company is 1:1. 1 (One) equity share of the Resulting Company of INR 10 each fully paid-up for every 1 (One) equity share held in the Demerged Company of INR 1 each fully paid-up. The record date for the same is 28<sup>th</sup> October, 2022.**
- **The Cost of Acquisition would be determined as:- NMDC Ltd (Demerged Company) 42.71% and NMDC Steel Ltd (Resulting Company) 57.29%. E.g. Suppose an investor bought a share of NMDC at Rs 100, Rs 42.71 would be the cost of acquisition of NMDC Ltd and Rs 57.29 would be the cost of acquisition of NMDC Steel Ltd.**
- The imposition of export duty tax on steel companies to tackle the rising inflation has adversely affected the operations of the steel companies as well as NMDC. **The average price of iron ore which was at Rs 5,220 per ton in FY21-22 fell to Rs 4,768 per ton at the end of June 2022 and is now trending at Rs 3,505 per ton.**
- The Government of India had imposed an export duty of 45% on exports of iron ore pellets in June 2022 which still remains in force. Till that remains in force, coupled with a steep rise in thermal coal cost, margins are expected to remain under pressure.

**Our View**

The demerger of the steel plant is a positive development with regards to value unlocking to the shareholders. However, the Indian steel industry in general is going through a slowdown due to the imposition of export duty tax as well as geo-political tensions. Domestic HRC Prices have corrected from Rs 78,000 per ton in April 2022 to Rs 57,000 per ton at present. However, now with the end of monsoons, domestic construction activity is expected to begin on a full swing which is expected to keep the demand for steel and subsequently iron ore at a steady level. Prices of iron ore are expected to remain constant for the time being unless any further development either on the positive or negative side. Unless the inflation levels reach the comfort level of RBI which is 6%, it is highly unlikely that the Government of India would revoke the export duty tax on steel or iron ore pellets.

Particulars (In Rs. Crs)	Q1FY23	Q1FY22	Var%	FY22	FY21	Var%
Net Sales	4,767.07	6,512.21	-26.80	25,881.73	15,370.06	68.39%
Operating Profit	1,898.40	4,176.24	-54.54	12,582.52	8,789.27	43.16%
Consolidated Net Profit	1,441.89	3,186.20	-54.75	9,379.60	6,277.01	49.43%
PBIDTM%	39.82	64.13	-37.90	48.62%	57.18%	-14.98%
PATM%	30.79	49.01	-37.17	36.24%	40.84%	-11.26%
Equity	293.07	293.07	-	293.07	293.07	-
EPS (Rs.)	4.92	10.87	-54.74	32.00	21.42	49.43%

\*Source: Company, Ace Equity, AUM Research

**Financials**

Quarterly Results (Value in Rs. Crs)						
Particulars	Q1FY23	Q1FY22	Var%	FY22	FY21	Var%
Net Sales & Other Operating Income	4,767.07	6,512.21	-26.80	25,881.73	15,370.06	68.39%
Total Expenditure	2,868.67	2,335.97	22.80	13,299.21	6,580.79	102.09%
PBIDT (Excl OI)	1,898.40	4,176.24	-54.54	12,582.52	8,789.27	43.16%
Other Income	145.99	144.09	1.32	718.52	351.60	104.36%
Operating Profit	2,044.39	4,320.33	-52.68	13,301.04	9,140.87	45.51%
Interest	15.34	3.00	411.33	39.06	16.81	132.36%
PBDT	2,029.05	4,317.33	-53.00	13,261.98	9,124.06	45.35%
Depreciation	84.93	55.34	53.47	287.74	228.54	25.90%
Tax	476.34	1,070.54	-55.50	3,582.25	2,648.45	35.26%
Discontinued Operations (Net Of Tax)	-0.13	-0.15		-	-	-
Net Profit	1,467.65	3,191.30	-54.01	9,391.99	6,247.07	50.34%
Extra Items	-	-	-	-0.68	0.40	-
Minority Interest	0.13	0.12	8.33	0.55	0.37	48.65%
Share Of Associates	-25.89	-5.22		-12.26	29.17	
Consolidated Net Profit	1,441.89	3,186.20	-54.75	9,379.60	6,277.01	49.43%
Equity	293.07	293.07	-	293.07	293.07	-
EPS (Rs.)	4.92	10.87	-54.74	32.00	21.42	49.43%

Income Statement (Value in Rs. Crs)			
Particulars	FY22	FY21	FY20
Net sales	25,881.73	15,370.06	11,699.22
Total Expenditure	13,299.21	6,580.79	5,698.26
Operating Profit (Excl OI)	12,582.52	8,789.27	6,000.96
Other Income	718.52	351.60	514.36
Operating Profit	13,301.04	9,140.87	6,515.32
Interest	39.06	16.81	9.88
PBDT	13,261.98	9,124.06	6,505.44
Depreciation	287.74	228.54	295.02
Profit Before Tax and Exceptional Items	12,974.24	8,895.52	6,210.42
Provision for Tax	3,582.25	2,648.45	2,512.46
Net Profit	9,391.99	6,247.07	3,601.52
Extra Items	-0.68	0.40	-
Minority Interest	0.55	0.37	0.33
Share Of Associates	-12.26	29.17	-28.56
Consolidated Net Profit	9,379.60	6,277.01	3,573.29
EPS (Rs.)	32.00	21.42	11.67

\*Source: Company, Ace Equity, AUM Research

<b>Balance Sheet (Value in Rs. Crs)</b>			
<b>Particulars</b>	<b>FY22</b>	<b>FY21</b>	<b>FY20</b>
<b>EQUITY AND LIABILITIES</b>			
Share Capital	293.07	293.07	306.19
Total Reserves	34,693.83	29,590.98	27,366.88
<b>Shareholder's Funds</b>	<b>34,986.90</b>	<b>29,884.05</b>	<b>27,673.07</b>
Minority Interest	13.45	13.54	8.05
Secured Loans	-	-	-
Unsecured Loans	1,668.22	523.80	-
Deferred Tax Assets / Liabilities	-530.95	-408.28	-397.07
Other Long Term Liabilities	156.13	154.98	5.83
Long Term Provisions	1,092.46	948.10	827.96
<b>Total Non-Current Liabilities</b>	<b>2,385.86</b>	<b>1,218.60</b>	<b>436.72</b>
Trade Payables	967.53	360.78	225.90
Other Current Liabilities	4,136.62	3,478.00	1,765.27
Short Term Borrowings	1,815.13	1,470.67	565.57
Short Term Provisions	7,918.59	4,283.09	6,518.14
<b>Total Current Liabilities</b>	<b>14,837.87</b>	<b>9,592.54</b>	<b>9,074.88</b>
<b>Total Liabilities</b>	<b>52,224.08</b>	<b>40,708.73</b>	<b>37,192.72</b>
<b>ASSETS</b>			
Gross Block	6,753.07	5,613.31	5,273.88
Less: Accumulated Depreciation	1,958.32	1,679.91	1,464.38
<b>Net Block</b>	<b>4,794.75</b>	<b>3,933.40</b>	<b>3,809.50</b>
Capital Work in Progress	18,324.52	17,106.51	15,500.22
Intangible Assets Under Development	5.00	51.42	29.64
Non-Current Investments	894.95	874.90	910.10
Long Term Loans & Advances	1,849.96	1,509.24	1,408.09
Other Non-Current Assets	2,640.61	2,445.84	2,319.19
<b>Total Non-Current Assets</b>	<b>28,509.79</b>	<b>25,921.31</b>	<b>23,976.74</b>
Currents Investments	5.90	3.58	-
Inventories	2,164.90	921.72	723.51
Sundry Debtors	2,954.30	2,139.89	2,223.71
Cash and Bank	7,978.29	5,861.82	2,437.46
Other Current Assets	553.71	296.92	389.48
Short Term Loans and Advances	10,057.19	5,563.49	7,441.82
<b>Total Current Assets</b>	<b>23,714.29</b>	<b>14,787.42</b>	<b>13,215.98</b>
Net Current Assets (Including Current Investments)	8,876.42	5,194.88	4,141.10
Total Current Assets Excluding Current Investments	23,708.39	14,783.84	13,215.98
<b>Total Assets</b>	<b>52,224.08</b>	<b>40,708.73</b>	<b>37,192.72</b>

\*Source: Company, Ace Equity, AUM Research

**Aum Capital RESEARCH DESK**

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