

In line performance

CMP:	Rs.145
Target Price	Rs. 157
Rating:	Hold

Stock Info

BSE Group	A
BSE Code	526371
NSE Symbol	NMDC
Bloomberg	NMDC.IN
Reuters	NMDC.BO
BSE Sensex	20363
NSE Nifty	6063

Market Info

Market Capital	₹57468cr
Equity Capital	₹ 396cr
Avg. Trading Vol.	533430
52 Wk High/ Low	154/93
Face Value	1

Shareholding Pattern (%) (Dec 2013)

Promoters	80.0
Domestic Institutions	10.5
Foreign Institutions	6.0
Non Promoters Corp.	0.3
Public & Others	3.2
	-

NMDC's earnings came in line with estimates at Rs 1567cr. Iron ore volumes went up by 39% yoy to 7.4mn tonnes. Notably, export volumes came off sharply by 39% qoq to 0.43mn tonnes. Domestic volumes reported 20% qoq growth to 7mn tonnes. Blended realisations remained almost flat qoq at Rs 3780 per tonne, while on yoy basis decline was 1.7%. Effectively on account of higher volumes, revenues rose by 38% yoy to Rs 2823cr.

Operating cost decreased due to lower freight cost which on per tonne basis declined on lower quantum of exports. Freight cost declined qoq from Rs 563/t to Rs 329/t. Employee cost declined from Rs 222/t to Rs 213/t. Royalty cost rose qoq from Rs 280/tonne to Rs305/tonne and other expenditures from Rs 268/t to Rs 281/t. Overall, operating cost per tonne declined 18% qoq to Rs 1244/t. Consequently, EBITDA margins for the quarter rose sharply by 720bps qoq to 67.4%.

Valuations:

We continue to remain positive on NMDC's growth story. We expect NMDC to deliver volumes growth of 6-10% over next two years, while we forecast realisations to remain muted over the same. Higher dividend payout (850% interim dividend announced) is another main trigger for the stock. Post recent run-up, we believe stock is trading at near fair valuations of 5.0x and 4.6x its FY14E and FY15E EV/EBITDA. We have valued stock at EV/EBITDA(x) of 5.0 (x) its FY15 estimates and have arrived at a fair value of Rs 157 per share. Recommend Hold rating on the stock.

Financials

Rs cr	FY12	FY13	FY14E	FY15E
Net Sales	11262	10704	11236	11942
EBITDA	8926	7378	7304	7677
EBITDA%	79%	69%	65%	64%
PAT	7266	6342	6227	6459
EPS	18.3	16.0	15.7	16.3
RoE%	29.8	23.4	20.4	19.1
RoCE%	40.6	31.0	28.1	26.4
P/E(x)	7.9	9.1	9.2	8.9
P/B(x)	2.4	2.1	1.9	1.7
EV/EBITDA(x)	4.2	4.9	5.0	4.6



Rs in Crore	3QFY14	3QFY13	YOY (%)	2QFY14	QoQ (%)
Net Sales	2823	2048	38%	2480	14%
Expenditure	920.4	656	40%	986	-7%
EBITDA	1903	1391	37%	1494	27%
EBITDA Margins (%)	67%	68%	-	60%	-
Other Income	508	556	-9%	538	-6%
Interest	0	0	-	0	-
Depreciation	36	34	7%	35	4%
PBT after exceptional items	2,374	1914	24%	1997	19%
Tax	807	621	30%	679	19%
Tax rate (%)	34%	32%	-	34%	-
Reported PAT	1567	1293	21%	1318	19%
NPM	56%	63%	-	53%	-
EPS (Rs)	4	3	21%	3	19%

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Stock Rating Scale

	Absolute Return
BUY	: >20%
ACCUMULATE	: 12-20%
HOLD	: 5-12%
NEUTRAL	: 0-5%
REDUCE	: < 5%

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