



## Weak Quarter!

30<sup>th</sup> May, 2016

**CMP:** Rs. 93  
**Target Price:** Rs. 102  
**Recommendation:** Hold

## Stock Info

BSE Group	A
BSE Code	526371
NSE Symbol	NMDC
Bloomberg	NMDC.IN
Reuters	NMDC.BO
BSE Sensex	26,695
NSE Nifty	8,169

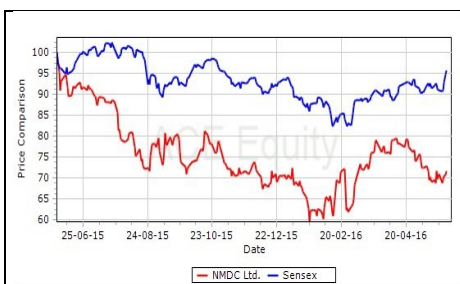
## Market Info

Market Capital	Rs 36,673 cr
Equity Capital	Rs 396 cr
Avg. Trading Vol.	24,34,990
52 Wk High/ Low	133/75
Face Value	1

## Shareholding Pattern (%) (Mar 2016)

Promoters	80.0
Domestic Institutions	11.2
Foreign Institutions	6.2
Public & others	2.6
<b>Total</b>	<b>100.0</b>

## Price Chart:



## Revenue:

NMDC's revenue declined by 46% on YoY basis to Rs 1,530 crs largely on account of lower realisations. The lower prices ruling globally and the relatively sluggish demand for ore from the steel industry are the main factors behind the slide. Total sales volume was up by 10.6% YoY to 8.5mn tonnes against 7.2mn tonnes, and its production was also up by 11% YoY at 8.8 mn tonnes. Although it managed to sell its products in Karnataka (up 31.4% YoY to 3.65mn tonnes), volume off take from the Chhattisgarh mines took a hit (down 1% YoY to 4.8mn tonnes). Blended realisation was down 15% QoQ at Rs 1,797 per tonne while on YoY basis it has halved (down 51%).

## Costs:

Operating cost for the quarter was Rs 1,163 per tonne. Royalty expenses dropped down to Rs 179 per tonne from Rs 504 per tonne, falling 64% YoY. Freight & handling cost at Rs 273 per tonne has been low compared to corresponding quarter last year (Rs 373 per tonne) but stays higher when compared to the last quarter (Rs 207 per tonne). Other expenditure decreased from Rs 518 per tonne to Rs 419 per tonne in corresponding quarter last year.

## Profitability:

Consequently, EBITDA margins for the quarter declined by 15% YoY, from 50% in third quarter of previous year to 35% in this quarter. EBITDA for the quarter was at Rs 539 crs vs. Rs 1,421 crs in the corresponding quarter last year. Lower operating profit followed by lower other income of Rs 438 crs led to lower net Profit of Rs 553 crs, declining by 59% YoY & 16% QoQ.

## Valuations:

We expect NMDC to deliver sales volumes of 30mn tonnes for the year FY17. At price of Rs 93 the stock is trading at 4.8(x) its FY17E EV/EBITDA. We have valued stock at EV/EBITDA of 5.5 (x) its FY17 estimates and have arrived at a fair value of Rs 102 per share & recommend "Hold" rating on the stock.



## Q4 FY16 Results

Rs in Crore	Q4 FY16	Q4 FY15	YOY (%)	Q3 FY16	QoQ (%)
<b>Net Sales</b>	<b>1530</b>	<b>2829</b>	<b>-45.9%</b>	<b>1517</b>	<b>1%</b>
Expenditure	990	1407	-29.6%	873	13%
<b>EBITDA</b>	<b>540</b>	<b>1421</b>	<b>-62.0%</b>	<b>644</b>	<b>-16%</b>
EBITDA Margins (%)	35%	50%		42%	
Other Income	438	726	-39.7%	421	4%
Interest	65	0		0	
Depreciation	65	28		52	
PBT after exceptional items	680	2064	-67.0%	1011	-33%
Tax	128	717		356	
Tax rate (%)	8%	25%		23%	
<b>Reported PAT</b>	<b>553</b>	<b>1347</b>	<b>-59.0%</b>	<b>655</b>	<b>-16%</b>
NPM	0	0		0	
<b>EPS (Rs)</b>	<b>1.4</b>	<b>3.4</b>	<b>-59.0%</b>	<b>1.7</b>	<b>-16%</b>

## Financial Snapshot:

(Rs Cr)	FY13	FY14	FY15	FY16	FY17E
<b>Net Revenue</b>	10,704	12,058	12,356	6,456	8,062
<b>EBITDA</b>	7,375	7,773	7,778	3,189	4,758
<b>EBITDA%</b>	68.9	64.5	62.9	49.4	59.0
<b>PAT</b>	6,341	6,421	6,422	3,028	4,149
<b>EPS</b>	16.0	16.2	16.2	7.6	10.5
<b>P/E (x)</b>	8.4	8.5	8.0	12.8	8.9
<b>EV/EBITDA (x)</b>	4.5	4.7	4.2	7.5	4.7

Source: Company Data Ace Equity, Arihant Research



Profit and Loss Account				
Particulars, in Rs crore	FY14	FY15	FY16	FY17 E
<b>Income From operations</b>	<b>12,058</b>	<b>12,356</b>	<b>6,456</b>	<b>8,062</b>
YoY%	12.6	2.5	(47.8)	24.9
<b>Expenditure</b>				
Consumption of stores and parts	346	320	282	289
Employee Cost	706	700	671	705
Royalty Expenses	960	1,390	882	1,204
Selling and Distribution Expenses	1,347	1,168	417	428
<b>Total Expenditure</b>	<b>4,285</b>	<b>4,578</b>	<b>3,267</b>	<b>3,305</b>
<b>EBITDA</b>	<b>7,773</b>	<b>7,778</b>	<b>3,189</b>	<b>4,758</b>
EBITDA margin %	64	63	49	59
Depreciation	150	162	208	210
<b>EBIT</b>	<b>7,623</b>	<b>7,616</b>	<b>2,981</b>	<b>4,548</b>
Other Income	2095	2265	1774	1836
Interest	2	-	65	-
<b>PBT before Excp Items</b>	<b>9,715</b>	<b>9,882</b>	<b>4,690</b>	<b>6,384</b>
Exceptional item	45	(113)	(185)	-
<b>PBT</b>	<b>9,761</b>	<b>9,769</b>	<b>4,505</b>	<b>6,384</b>
Tax Expense	3,340	3,346	1,477	2,234
<b>Net Profit</b>	<b>6,421</b>	<b>6,422</b>	<b>3,028</b>	<b>4,149</b>

Balance Sheet				
Particulars, in Rs crore	FY14	FY15	FY16	FY17 E
Share capital	396	396	396	396
Reserves and surplus	29,592	31,935	29,715	31,285
<b>Shareholders' funds</b>	<b>29,988</b>	<b>32,332</b>	<b>30,111</b>	<b>31,681</b>
<b>Non-current liab &amp; Prov</b>	<b>148</b>	<b>149</b>	<b>194</b>	<b>150</b>
<b>Current liabilities</b>	<b>1,341</b>	<b>1,989</b>	<b>3,041</b>	<b>2,129</b>
<b>Total - Equity and liabilities</b>	<b>31,477</b>	<b>34,470</b>	<b>33,346</b>	<b>33,960</b>
<b>Non-Current assets</b>				
Fixed assets	6,639	9,044	11,630	12,083
Long Term Inv	250	562	695	670
Loans + Adv + Others	726	974	1,744	2,016
<b>Total non current assets</b>	<b>7,616</b>	<b>10,580</b>	<b>14,069</b>	<b>14,769</b>
<b>Current assets</b>				
Cash	18,657	18,443	14,764	14,242
Other Current Assets	5,204	5,447	4,513	4,949
<b>Total - Current assets</b>	<b>23,861</b>	<b>23,890</b>	<b>19,276</b>	<b>19,191</b>
<b>Total - Assets</b>	<b>31,477</b>	<b>34,470</b>	<b>33,346</b>	<b>33,960</b>

Cash Flow Statement				
Particulars, in Rs crore	FY14	FY15	FY16	FY17 E
<b>Operating Activities</b>				
<b>PBT</b>	<b>9,761</b>	<b>9,769</b>	<b>4,505</b>	<b>6,384</b>
Add Depr	110	192	208	210
Others	(1,997)	(2,183)	(1,571)	(1,689)
Total	7,874	7,777	3,142	4,904
Cash Taxes	(3,565)	(3,031)	(1,403)	(2,011)
Changes in Working Cap	(588)	(739)	(408)	(690)
<b>Cash Flow from Operations</b>	<b>3,721</b>	<b>4,007</b>	<b>1,331</b>	<b>2,203</b>
<b>Investing Activities</b>				
Change in investments/LT adv	5,740	4,333	3,782	3,987
Capex	(2,285)	(2,646)	(2,393)	(2,500)
<b>Cash Flow from Investing</b>	<b>3,455</b>	<b>1,687</b>	<b>1,389</b>	<b>1,487</b>
<b>Financing Activities</b>				
<b>Dividends + Taxes paid</b>	<b>(5,798)</b>	<b>(3,449)</b>	<b>(5,103)</b>	<b>(4,499)</b>
Change in Non Curr Liab	(2.6)	(0.2)	-	-
<b>Cash Flow from Financing</b>	<b>(5,801)</b>	<b>(3,449)</b>	<b>(5,103)</b>	<b>(4,499)</b>
Opening Cash	4,306	5,681	7,926	5,544
Changes during year	1,375	2,245	(2,382)	(809)
Closing Cash	5,681	7,926	5,544	4,735
Other bank balance	12,976	10,517	9,220	9,508
<b>Total</b>	<b>18,657</b>	<b>18,443</b>	<b>14,764</b>	<b>14,242</b>

Ratio Analysis				
	FY14	FY15	FY16	FY17 E
<b>Profitability</b>				
EBITDA%	64.5	62.9	49.4	59.0
EBIT%	63.2	61.6	46.2	56.4
PAT%	53.3	52.0	46.9	51.5
<b>Du Pont ROAE breakup</b>				
PAT / Sales	53.3	52.0	46.9	51.5
Sales / Avg Total Assets	0.4	0.4	0.2	0.2
Avg Total Assets / Avg Eqty	1.1	1.1	1.1	1.1
ROE	22.3	20.6	9.7	13.4
<b>Other Ratios</b>				
Current Ratio	17.8	12.0	6.3	9.0
Debt / Equity	-	-	-	-
EPS	16.2	16.2	7.6	10.5
DPS	8.5	8.6	11.0	12.0
<b>Valuation</b>				
P/E	8.5	8.0	12.8	8.9
EV/EBITDA	4.7	4.2	7.5	4.7
P/BV	1.8	1.6	1.3	1.2

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**Stock Rating Scale**

	<b>Absolute Return</b>
Buy	> 20%
Accumulate	12% to 20%
Hold	5% to 12%
Neutral	-5% to 5%
Reduce	< -5%

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