

July 09, 2012

BSE Code: 526371 NSE Code: NMDC Reuters Code: NMDC.NS Bloomberg: NMDC:IN

NMDC was incorporated in 1958 as a Government of India fully owned public enterprise and is under the administrative control of the Ministry of Steel, Government of India. It is India's single largest iron ore producer and exporter, presently producing about 30 million tonne of iron ore from 3 fully mechanized mines. NMDC had developed many mines like Kiriburu, Meghataburu iron ore mines in Bihar, Khetri Copper deposit in Rajasthan, Kudremukh Iron Ore Mine in Karnataka, Phosphate deposit in Mussorie.

Investor's Rationale

Net profit plummeted by 21.7% on lower revenue

NMDC Ltd reported a decline in net profit for Q4FY'12 by 21.7% YoY at ₹16.4 billion against ₹21.0 billion, mainly due to decline in net revenue by 31.2%, due to lower realisation and volume production. Further, the company incurred an exceptional item (non-operating expense) of ₹0.5 billion and increase in operating expenses (other expenses, consumption of raw material and consumption of stores and spares) dragged the net profit. Increase in other income by 24.0%, decrease in tax and depreciation by 23.4% and 19.7% respectively could not offset the decline of net profit. NPM expanded by 244bps YoY to 52.3% against 49.8% while, contracted by 324bps on QoQ.

Below than expected topline of 31.2% on lower realisation and volume.

NMDC Ltd reported a decline in net revenue by 31.2% YoY at ₹25.9 billion against ₹37.7 billion, primarily on account of lower realisation at ₹4,054/tonne on back of reduction in rates of fine. Further, iron ore sales volume declined by 23.8% due to Naxal activity around the mines and at the same time production too was hampered by 19.3% YoY. Iron ore segments revenue declined by 31.7% YoY While, other minerals and services segment reported a growth of 56.2% YoY.

EBITDA declined by 27.8% on higher other expenses, consumption of raw material, stores and spares

EBIDTA of the company registered a decline of 27.8% YoY at ₹19.8 billion against ₹27.4 billion, due to higher operating expenses where, other expenses grew by 34.4%, consumption of spares and stores cost grew by 10.3% and consumption of raw material grew by 10.4%. The company's OPM expanded by 355bps YoY to 76.2% against 72.7% and on QoQ basis it contracted by 387bps.

Market Data

CMP (₹)	197
Target Price	220
Stop Loss	190
Duration	Mid-term
52-week High-Low (₹)	268.0/135.6
Rise from 52WL (%)	45.3
Correction from 52WH (%)	26.5
Beta	0.6
1 year Average Volume (mn)	0.39
Stock Return (%)	3M- 16.7 6M- 19.6 9M- (16.6)
Market Cap (₹bn)	783.0
Enterprise Value (₹bn)	578.9

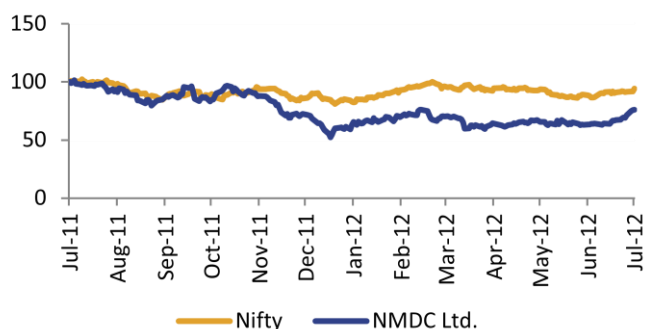
Shareholding Pattern

	Mar'12	Dec'11	Chg
Promoters (%)	90.0	90.0	-
FII (%)	0.7	0.8	(0.1)
DII (%)	8.3	8.3	-
Public & Others (%)	1.0	0.9	0.1

Quarterly Performance

(₹ bn)	Q4 FY'12	Q4 FY'11	Q3 FY'12	YoY Change(%)	QoQ Change(%)
Net sales	25.9	37.7	28.2	(31.2)	(8.1)
Op. exp	6.2	10.3	5.6	(40.1)	9.8
EBITDA	19.8	27.4	22.6	(27.8)	(12.5)
OPM (%)	76.2	72.7	80.1	355bps	(387bps)
Net profit	16.4	21.0	18.6	(21.7)	(11.6)
NPM (%)	52.3	49.8	55.5	244bps	(324bps)
EPS	4.1	5.3	4.7	(21.7)	(11.7)

One Year Price Chart





Indbank Merchant Banking Services Ltd.
I Floor, Khiviraj Complex I,
No.480, Anna Salai, Nandanam, Chennai 600035
Telephone No: 044 – 24313094 - 97
Fax No: 044 – 24313093
www.indbankonline.com

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