

## In line performance

CMP:	Rs.140
Target Price	Rs. 149
Rating:	HOLD

### Stock Info

BSE Group	A
BSE Code	526371
NSE Symbol	NMDC
Bloomberg	NMDC.IN
Reuters	NMDC.BO
BSE Sensex	20725
NSE Nifty	6164

### Market Info

Market Capital	₹53721cr
Equity Capital	₹ 396cr
Avg. Trading Vol.	533430
52 Wk High/ Low	188/93
Face Value	1

### Shareholding Pattern (%) (30<sup>th</sup> Sept 2013)

Promoters	80.0
Domestic Institutions	10.7
Foreign Institutions	5.3
Non Promoters Corp.	0.3
Public & Others	3.7
	-

NMDC's earning came in line with estimates at Rs 1318cr. Iron ore volumes went up by 21% yoy to 6.5mn tonnes. Company sold 4.3mn tonnes of iron ore from Chhattisgarh and 2.2mn tonnes from Karnataka mines. Notably, export volumes during the quarter rose sharply by 44.7% to 0.71mn tonnes. Effectively, share of exports increased qoq from 7% to 11%. Blended realisation, however, declined both qoq and yoy by 3.3% and 21.8% respectively Rs 3778/t. Consequently revenues declined by 5.1% yoy to Rs 2480cr.

Operating cost increased during the quarter with freight cost increasing the most. Freight cost increased qoq from Rs 401/t to Rs 564/t. Blended royalty cost per tonne declined qoq from Rs 308/tonne to Rs381/tonne, employee cost increased from Rs 205/t to Rs 223/t. Other expenditures however declined from Rs 293/t to Rs 269/t. Consequently, EBITDA margins for the quarter declined by ~610bps qoq to 60.2%. Profit after tax for the quarter declined 16% qoq to Rs 1318cr.

### Valuations:

NMDC's stock has moved up more than 40% in last three months and we attribute this to easing concerns surrounding weakness in domestic iron ore prices and volume growth. Post recent run-up, we believe stock is trading at near fair valuations of 5.2x and 4.7x its FY14E and FY15E EV/EBITDA. Nonetheless, possible increase in dividend per share will act as a major trigger for stock. We have valued stock at EV/EBITDA(x) of 5.0 (x) its FY15 estimate and have arrived at fair value of Rs 149 per share. Recommend Hold rating on the stock.

### Financials

Rs cr	FY12	FY13	FY14E	FY15E
Net Sales	11262	10704	10115	11115
EBITDA	8926	7378	6565	7189
EBITDA%	79%	69%	65%	65%
PAT	7266	6342	5728	6124
EPS	18.3	16.0	14.5	15.5
RoE%	29.8	23.4	19.1	18.6
RoCE%	40.6	31.0	26.3	25.6
P/E(x)	7.6	8.7	9.7	9.1
P/B(x)	2.3	2.0	1.8	1.7
EV/EBITDA(x)	3.9	4.7	5.2	4.7



2QFY14 Result Update					
Rs in Crore	2QFY14	2QFY13	YOY (%)	1QFY14	QoQ (%)
Net Sales	2480	2612	-5%	2871	-14%
Expenditure	986.3	677	46%	965	2%
EBITDA	1494	1935	-23%	1905	-22%
EBITDA Margins (%)	60%	74%	-	66%	-
Other Income	538	583	-8%	521	3%
Interest	0	0	-	0	-
Depreciation	34.8	33.2	5%	36.4	-4%
PBT	1,997	2485	-20%	2390	-16%
Tax	679	806	-16%	818	-17%
Tax rate (%)	34%	32%	-	34%	-
Reported PAT	1318	1679	-21%	1572	-16%
Adj PAT	1318	1679	-21%	1572	-16%
Adj NPM	53%	64%	-	55%	-
EPS (Rs)	3.3	4.2	-21%	4.0	-16%

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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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