

## METALS & MINING

07 December 2021

### Takeaways from call with NMDC

- **NMDC intends to offset pricing headwinds with volume ramp-up in H2FY22**
- **Iron ore production being scaled up to 50mt by FY23 and 67mt by FY25, with coal mining to be increased as well**
- **Steel plant scheduled for commissioning over next 4-6 months and demerger by Q4FY22/Q1FY23**

Kirtan Mehta, CFA

researchreport@bobcaps.in

We hosted Amitava Mukherjee, Director – Finance of NMDC (NMDC IN, Not Rated).

Key takeaways:

**Softer volumes in Nov'21:** Demand from secondary producers was soft with the drop in steel prices and higher coal cost. Iron ore imports turned viable on the west coast. With the iron ore price cut on 30 November, NMDC is seeing signs of demand pickup.

**Volume ramp-up in H2 to offset pricing headwinds:** NMDC is targeting 26% YoY growth in production to 44mt (47mt aspirational) in FY22. Having delivered 24mt over Apr-Nov'21, it now needs to grow 16% YoY for the rest of the year.

**FY23 production target of 50mt:** The 50mt target is backed by the available environment clearance (EC) limit of up to 51mt and the addition of 5mt of screening capacity at Kirandol and Bacheli in Chhattisgarh. NMDC is also pursuing a 2.5mt increase in EC limit at the Kumaraswamy mine in Karnataka. Full ramp-up of the 1.2mt Donimalai pellet plant has the potential to add Rs 9bn to the topline.

**Prices could strengthen in FY23 if China demand improves:** Global supply has not improved materially in FY22. NMDC sees the possibility of international iron ore prices rising to US\$ 150/t during periods of tightness.

**Steel plant commissioning in 4-6 months; demerger by Q1FY23:** Heating of the coke oven is planned for next week, and MICON is assembling a 3,000-member team to commission the 3mtpa steel plant in Chhattisgarh. After conditional approval from the stock exchange, the next steps for demerger and listing of the new steel company will be for NMDC to approach the Corporate Affairs ministry, hold a creditors' meeting if required, and conduct an EGM for shareholders' approval by Q4FY22/Q1FY23.

**Potential scale-up to 67mt in FY25:** To raise processing capacity in Chhattisgarh, NMDC is adding a 12mt screening plant at Kirandol and moving two crushing units to excavate below existing plants. This plus a slurry pipeline will involve a Rs 70bn capex.

**Coal mining to increase by FY25:** NMDC has awarded an MDO contract for the 2.3mt Tokisud mine and will finalise an implementation plan for the 8mt Rohne mine.



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