

NMDC LTD.

Price Band: Rs 300 – Rs 350

Issue Size to public	Rs11567.50cr
Face Value (Rs)	Re 1
Bid opens	10-March-2010
Bid closes	12-March-2010
Issue band (Rs)	Rs 350-3000
Issue Type	100% Book Building

Lead Managers

UBS Securities India Ltd,
 Citigroup Global Markets India Pvt Ltd,
 Edelweiss Capital Ltd,
 Kotak Mahindra Capital Co Ltd,
 Morgan Stanley India Co Pvt Ltd,
 RBS Equities Ltd

Registrar

Karvy Computershare Pvt Ltd

Issue Structure	Equity Shares
Total Shares offered to public	330,500,000
QIB Portion	165,250,000
Non Institutional Portion	49,575,000
Retail Portion	115,675,000

No of Issued, subscribed and paid up shares before the issue	3,964,716,000
No of Issued, subscribed and paid up shares after the issue	3,964,716,000

Promoter and Promoter Group holding (Pre Issue)	98.38%
Promoter and Promoter Group holding (Post Issue)	90.00%

BACKGROUND & BUSINESS

NMDC incorporated in 1958, is involved in the exploration of wide range of minerals including iron ore, copper, rock phosphate, lime stone, dolomite, gypsum, betonies, magnetite, diamond, tin, tungsten, graphite, beach sands etc. NMDC is venturing into development of high value minerals like gold, diamond etc as joint ventures in some of the African countries. The company has been recently categorized by the department of Public Enterprises as NAVRATNA public enterprise.

OBJECT OF THE ISSUE

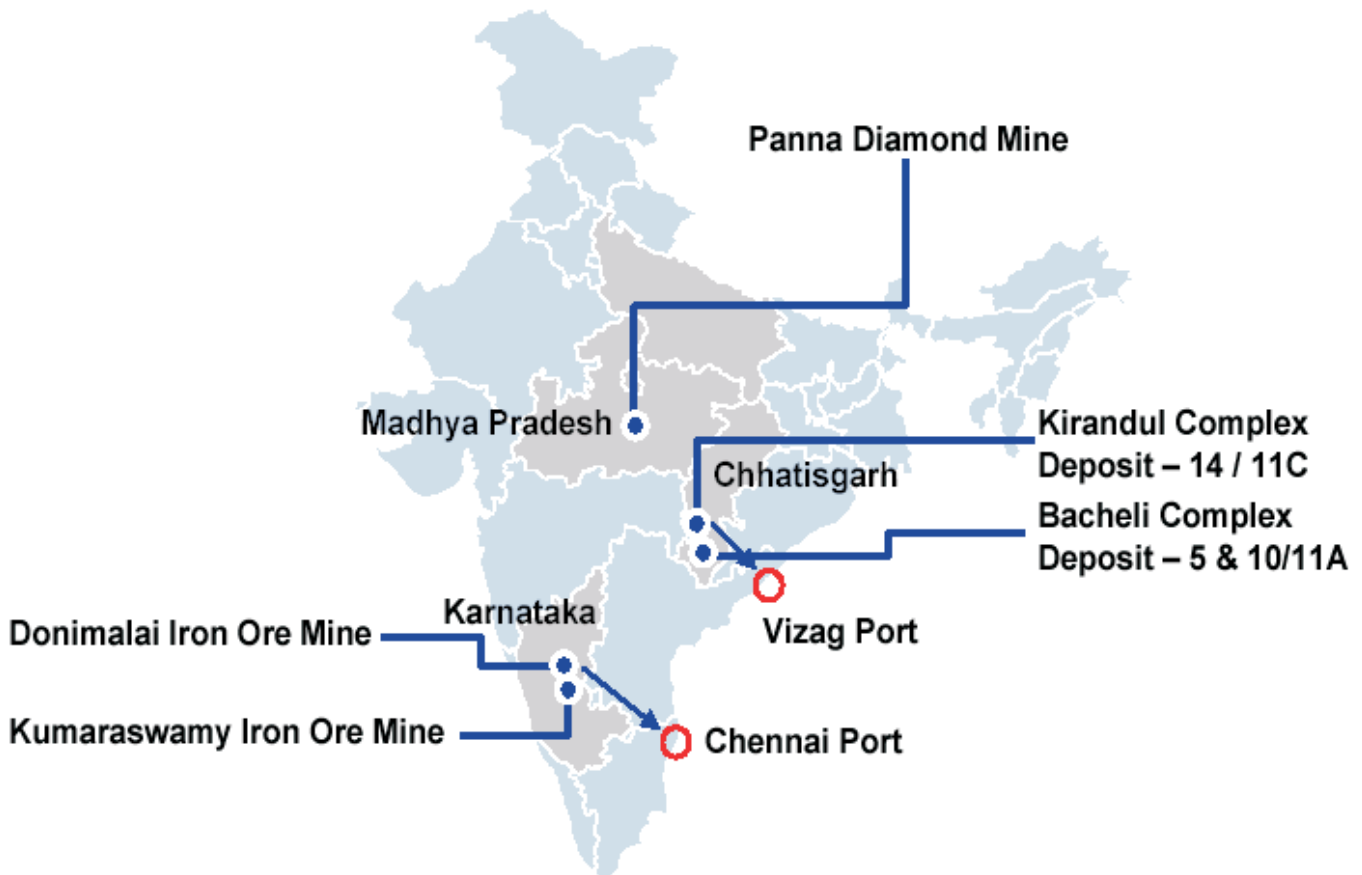
The offer will carry out the divestment of 332,243,200 equity shares by the government. Company will not receive any proceeds from the offer and all the proceeds shall be received by the government.

VALUATION

NMDC is India's pre-eminent iron ore mining company with 1.2bn tons of reserves and resource. NMDC's iron ore is high grade (64%+Fe) and its production costs at 9\$ per tonne are among the lowest in the world. In addition, NMDC operates one of the largest diamond mines in Asia with the authorisation to produce 100,000 carats of gem and industrial diamonds per annum. Company has generated superior ROEs in past (3 year average ~46%), generating \$590 mn in cash with \$2 bn in net cash. The company also plans to foray into steel production which will further help to drive ROE as it will be climbing the value chain.

At the price of offering the company is valued at Rs 109 crores per tonne of reserves as against Rs 108 crores of Sesa goa. Looking at the current valuations and earning growth visibility, the issue will provide good return to the investors.

COMPANY'S PRINCIPAL MINING FACILITIES IN INDIA



INVESTMENT POSITIVES

Resources making the company low- cost producer

NMDC has competitive cost of production with those of the leading iron ore producers in the world. The company is seeking to further lower its costs across all of its productions. Factors contributing to the company's ability to lower its costs of production include the mechanization of its mines, its focus on continually reducing mining costs and seeking operational efficiency improvements, including logistics, and its access to a relatively large and inexpensive labour and talent pool in India.

Strong Competitive advantages in iron ore

The Company has access to large proved and probable reserves of high grade iron ore, consisting principally of hematite ore with a Fe content of predominantly greater than 64%. The greater the Fe content of the iron ore, the more efficient it is to process the ore. The Company believes its high grade products and ore quality gives it a strong competitive advantage and helps it to command premium pricing, stimulate demand for its products and enjoy customer loyalty.

Expanding its presence as integrated producer of Iron and steel

NMDC has plans to expand production from 30 mtpa currently to 35 mtpa by FY12 and 50 mtpa by FY15. Commissioning of two pellet plants will enable NMDC to use low grade fines and could increase iron ore output further to 53 mn tons. NMDC has ambitions to enter steel-making and plans to set up a 3 mtpa steel plant at Jagdalpur (Chhattisgarh) and a 2 mtpa steel plant at Bellary/Hospet (Karnataka).

CONCERNS

The Company's iron ore business is substantially dependent upon the ore produced at the Company's two principal iron ore mining complexes. Any interruption in the operations at these mining complexes could have a material adverse effect on the operations .

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PEER COMPARISON

Company	Price	Mcap	EPS (TTM)	P/E	Reserves (MMTs)	Mining Capacity (MMTs)	E.V./ Reserve (Rs. Cr)	E.V/Mining Capacity (Rs. Cr.)
NMDC	399	158192	9	46	1361	30	109	4948
Sesa Goa	442	36700	24	18	310	37	108	919

PROFIT & LOSS ACCOUNT - NMDC (RS CR)

	2006	2007	2008	2009	CAGR	Q3FY10	Q3FY09	YoY	Q2FY10	QoQ	9M FY10
Net Sales	3710.92	4185.84	5711.31	7564.03	26%	1587.58	2337.5	47%	1390.13	-12%	4255.76
Operating Expenses	1027.09	954.13	1407.57	1856.32	22%	508.99	386.61	-24%	373.67	-27%	1227.12
Operating Profit	2889.82	3581.71	5010.71	6724.73	32%	1324.49	2180.07	65%	1192.09	-10%	3660.44
Other Income	199.93	354.69	670.53	884.04		245.9	229.18		175.63		616.15
Depreciation	113.69	80.02	60	73.56		21.52	18.32		24.56		48.66
PBT	2770.13	3498.31	4947.47	6648.23	33%	1302.97	2161.75		1168.53		3607.92
Tax & Other Adj	932.75	1166.46	1711.28	2212.65		442.98	736.35		396.68		1216.04
PAT	1778.99	2310.51	3285.98	4349.62	34%	859.99	1424.95		770.85		2389.81
OPM	78%	86%	88%	89%		83%	93%		86%		86%
NPM	48%	55%	58%	58%		54%	61%		55%		56%
EPS (Pre issue)	4.49	5.83	8.29	10.97	34%	2.17	3.59		1.94		6.03
Book Value (Pre issue)	10.13	14.63	20.91	29.35	42%						

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RATING INTERPRETATION

BUY	Expected to appreciate more than 20% over a 12m period
ACCUMULATE	Expected to appreciate up to 20% over a 12m period
OUTPERFORMER	Expected to outperform Sensex/Sector by 5 to 15%
UNDERPERFORMER	Expected to underperform Sensex/Sector by 5 to 15%
SELL	Expected to depreciate more than 20% over a 12m period
NOT RATED	No specific call on the stock

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