



Company Profile :

NMDC Ltd. is a Government of India fully owned public enterprise and a Navratna company, which is under the administrative control of the Ministry of Steel, Government of India. The Company was incorporated in 1958. The corporate office located in Hyderabad. The Company has been conferred "Navaratna" status by the Government of India, which provides, among other things, greater financial autonomy to the Board of Directors of the Company.

The Company plans to start value-added projects such as steel production and has signed an MOU with the state government of Chhattisgarh to develop a steel plant with a capacity of 3 mtpa at Jagdalpur. The Company also has plans to develop a steelplant in Karnataka. Furthermore, the Company expects to complete its acquisition of Sponge Iron India Limited in early 2010, a company primarily involved in the production of sponge iron. Such company's production for Fiscal 2009 was 30,489 metric tonnes. As of March 31, 2009, Sponge Iron India Limited had 304 employees. It has grown to the status of the single largest producer of iron ore products in India with supplies to both domestic and overseas customers. The company has plans to step up its iron ore production to 50 million tonnes by the year 2015 from the 32.5 million tonnes produced in the year 2008-09, through development of new mines and expanding production capacity of the existing mines

The Government currently holds about 98.38 per cent in the Navratna mineral company as the rest is already with the public. It had diluted its 1.62 per cent stake of the firm in 1996 by allotting to its employees and some to qualified institutional buyers .NMDC FPO offer would comprise a net offer to the public of 332243200 equity shares and a reservation of 1743200 equity shares for purchase by eligible employees at a discount of 5% of the floor price.



Issue size: 332,243,200 Equity Shares
Face value: Rs 10/- per share
Issue Open: March 10,2010
Issue Close: March 12,2010
Retail Discount: Retail and Eligible Employees will get discount of 5%
Exchanges :NSE , BSE

S.No	Main Catg.	No. of equity share reserved for the main category
1	QIB	165,250,000 Shares (50% of Net Issue Size)
2	Non Institutional	49,575,000 shares(15% of net issue size)
3	Retail	115.675,000 shares (35% of Net Issue Size)
4	Employee Reservation	1,743,200 Equity Shares
Total Issue Size	1+2+3	332,243,200 Equity Shares



Lead Managers:

Citigroup, Kotak Mahindra, RBS Equities, UBS Securities, Morgan Stanley and Edelweiss Capital.

Object of the offer:

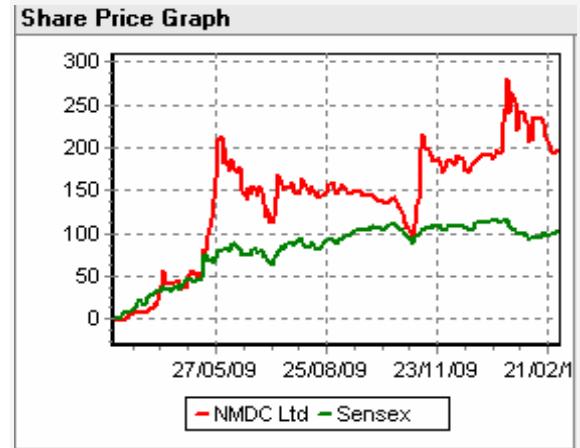
The Company shall not receive any proceeds of this Offer. The capital will be used to fund the company future expansion plan.

Strengths:

- Largest producer of iron ore in India by volume
- Resources making the Company a low-cost producer.
- Well Positioned to Capitalize on India's Growth and Resource Potential.
- Research and development center and in-house exploration capability
- International projects-The Company has been involved in a number of international projects such as: Company established an International Investment division called NMDC Global to acquire overseas properties especially in the field of iron ore, coal, manganese and fertilizer minerals, namely rock phosphate and potash.

Risks:

- 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 operations and financial condition.
- The Company depends on certain key customers for a significant portion of its iron ore sales revenue. The loss of any one of these customers or group of customers could have a material adverse effect on business, financial condition, results of operations and prospects.
- Volatility in price of iron ore and other commodities.



Competition:

The Company competes with both domestic Indian producers of iron ore for domestic customers and with iron ore exporters for exports. The Company sells most of its high grade iron ore production to the Indian domestic market. In Fiscal 2009, the Company's exports constituted approximately 15% of its consolidated total sales volume, primarily to Japan and South Korea

Expansion Plans:

The company is looking to acquire four new mines — two in Jharkhand and one each in Karnataka and Chhattisgarh — next fiscal. It aims to produce 50 million tonne of iron ore by 2014-15, the present capacity is of 30 million tonne. Currently, the company has total iron ore reserves of 1.4 billion tonne. ore, the company is looking to acquire global assets in coking coal, rock phosphate and potash.

Steel plant and Pellet Plant Projects : The company has a total capacity expansion outlay of Rs 26,500 crore, of which Rs 15,500 crore is earmarked for a steel plant at Jagdalpur, Chhattisgarh and Rs 1,500 crore for two pellet plants in Chhattisgarh and Karnataka, respectively

Financials:

The Company's profit before tax increased by 34.37% to Rs. 66,481 million for the year ended March 31, 2009, from Rs. 49,474.7 million for the year ended March 31, 2008, primarily as a result of an increase in the sales prices of iron ore, and also due to an increase in interest income from deposits in banks. Profit before tax as a percentage of total revenues was 77.52% for the year ended March 31, 2009 as compared to 77.16% for the year ended March 31, 2008.

Net profit After tax:

The Company's net profit after tax increased by 34.49% and stood at Rs. 43,722.5 million for the year ended March 31, 2009, compared to Rs. 32,509.8 million for the year ended March 31, 2008. Net Profit after tax as a percentage of total revenue was 50.98% for the year ended March 31, 2009, as compared to 50.70% for the year ended March 31, 2008.

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Gross Sales	7564	5711	32.4
Other Income	884.04	670.53	31.8
Total Expenditure	1722	1370	25.7
PBDT	6725	5010	34.2
PAT	4372	3250	34.5



Outlook

In India, National Steel Policy (NSP) has set a steel production goal of 110 million tonnes by the year 2019-20 from the level of 38 million in 2004-05, requiring a compound annual growth rate of 7.3%. This would require an availability of 190 million tonnes of iron ore for domestic consumption. Presently India is producing approximately 220 million tonnes of iron ore (FY2008-09) out of which approximately 106 million tonnes is being exported. In order to meet the iron ore demand of domestic steel producers of 190 million tonnes by 2019-20, the iron ore industry will need to increase its production to approximately 300 million tonnes by the same year (assuming that exports continue at the present level of 100 million tonnes per annum), requiring a compound annual growth rate of 3.4.

The Company was the largest iron ore producer by volume in India during the last three Fiscals (according to a certificate of the Federation of Indian Mineral Industries dated as of February 8, 2010) and produced 28.5 million tonnes of iron ore in Fiscal 2009. The Company's principal operations include its three iron ore mining complexes at Kirandul and Bacheli in the State of Chhattisgarh and Donimalai in the State of Karnataka, each of which consists of several iron ore mines. Iron ore sales represented approximately 99% of our consolidated income from operations for Fiscal 2009 and for the nine months ended December 31, 2009.

The Company sells most of its high grade iron ore production to the Indian domestic steel market, primarily pursuant to longterm sales contracts. As a result of its high quality chemical and physical properties, the Company's iron ore has become an important raw material for a number of gas based sponge iron steel producers in India. In Fiscal 2009, the Company's exports constituted approximately 15% of its consolidated total sales volume, primarily to Japan and South Korea. In addition to its Iron ore operations, the Company also operates a diamond mine at Panna (Madhya Pradesh), one of the largest diamond mines in Asia, and owns a wind power facility with seven towers in the State of Karnataka with a total capacity of 10.5 MW.



Pricing for FPO:

The Government has become cautious after having the tepid response to the earlier State run NTPC and REC Ltd. The Government is likely to offer the floor price at the discount of 30-35% from the current price. The reasons may be cited as its is overvalued as compare to its peers , trading at about 40 times its earnings while peers such as Rio Tinto, BHP and Sesa Goa are trading at price-to-earning multiple of 20 or less and price do not justify the limited float in the market. So this can be a step to attract the foreign institutions who are interested in the FPO but think that at the current price is overvalued as well to increase the retail investors as it is a public limited company and retail should have the participation .

Recommendation

The pricing for the disinvestment of an 8.38% stake in NMDC will be decided on March 8 by an empowered group of ministers headed by finance minister Pranab Mukherjee. The issue is scheduled to open for subscription on March 10. At the discount of 30-35% the stock will be available at 23x P/E ,FY2011E EPS at 12.6. At this price it will be available relatively cheaper as sector P/E stands at 38.20. We recommend investors subscribe to the issue.



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