

BID

Key Data	
Floor Price (Rs)	153.5/-
Face Value(Rs)	1/-
Issue Size(Rs)	728.5cr
Total offered shares	4,74,58,357
NSE Code	NMDC Ltd
BSE Code	526371
52 Week High	162.55
52 Week Low	102.80
Institutional	
Issue Opens	9th Jan, 2018
Issue Closes	9th Jan, 2018
Retail	
Issue Opens	10th Jan, 2018
Issue Closes	10th Jan, 2018
Retail Issue Size (Rs)	145.7cr
Retail offered shares	94,91,671
Source: BSE India	

“Retail Investors will be allocated shares at a discount of 5 % to the cut off price.”

NMDC LTD

Company Background:

Incorporated in 1958, NMDC LTD is a fully-owned public enterprise of the Government of India. In recognition of the company's growing status and consistent excellent performance, the company was categorized by the Department of Public Enterprises as a "NAVRATNA" Public Sector Enterprise in 2008. NMDC is engaged in exploration of minerals such as iron ore, copper, rock phosphate, limestone, dolomite, gypsum, bentonite, magnesite, diamond, tin, tungsten, graphite, and beach sands. The company has three fully mechanized mines - Bailadila Deposit-14/11C, Bailadila Deposit-5, 10/11A (Chhattisgarh), and Donimalai Mines (Karnataka). NMDC is India's single largest iron ore producer, presently producing 34mn tonnes of iron ore from 3 fully mechanized mines.

Issue Details:

The President of India acting through and represented by the Ministry of Steel, Government of India, the promoter of NMDC LTD, is coming out with the Offer for Sale (OFS) of up to 4,74,58,357 equity shares of face value of Rs. 1/- each, with an option to additionally sell up to 4,74,58,357, collectively representing 3% of the total paid-up equity share capital of NMDC Ltd. The floor price has been set at Rs. 153.5 per share.

Allocation Methodology:

The allocation would be on a 'price priority' method at multiple clearing prices in accordance with the SEBI OFS circular. The issue opens for subscription on Jan 09, 2018 for institutional bidders. Retail investors, for whom 20% shares have been reserved, will get to bid on Jan 10, 2018. Retail investors will be allocated shares pursuant to the Offer at a discount of 5% to the Cut-Off Price in accordance with the SEBI OFS Circulars ("Retail Discount").

Rationales:

- We believe that the reducing iron ore inventories in China, improving Chinese demand for long steel products coupled with rising international steel prices and increasing demand for high grade ore to meet Chinese pollution norms would augur well for the local iron ore companies such as NMDC.
- Recently, the company has raised the prices by Rs. 500/tonne on both fines and lump ore starting January 2018. This would aid in improving sales realization in the coming quarters.
- Moreover, NMDC's key customers - JSW steel and RINL are ramping up their production capacity. We believe this would benefit the company through incremental volume growth in the coming years.
- NMDC has plans to raise its capacity from 34MTPA to 50MTPA by FY19E.
- Moreover, during H1FY18, the company's revenue and profit has grown 52% and 22% YoY respectively. Further, the stock has provided a good dividend yield in the past few years owing to strong cash position. As on Sep 30, 2017, NMDC's cash and cash equivalents stand at Rs. 5625cr.

Recommendations:

At the floor price of Rs. 153.5, the stock trades at 21.3x its FY17 EPS of Rs 7.2/-. We believe increasing government thrust on the infrastructure sector along with strong upsurge in commodity cycle would benefit NMDC in the coming quarters. Hence, we recommend investors to **BID** for the issue.

Asit C. Mehta

INVESTMENT INTERMEDIATES LTD.

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