

9 January 2025

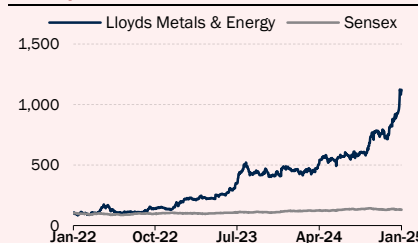
BSE Sensex: 77620

Sector: Metals

Stock data

CMP (Rs)	1,436
Mkt Cap (Rs bn/USD m)	750.6 / 8,742
Target Price (Rs)	1,905
Change in TP (%)	-
Potential from CMP (%)	32.7
Earnings change (%)	
FY25E	⇔
FY26E	⇔
Bloomberg code	LLOYDSME IN
1-yr high/low (Rs)	1,461/522
6-mth avg. daily volumes (m)	0.7
6-mth avg. daily traded value	
(Rsm/USDm)	679.2/7.9
Shares outstanding (m)	522.8
Free float (%)	36.5
Promoter holding (%)	63.5

Price performance – relative & absolute



(%)	3-mth	6-mth	1-yr
LLOYDSME IN	46.0	89.1	147.5
BSE Sensex	(4.7)	(3.4)	8.7

Established in 1977, Lloyds Metals & Energy Limited (LMEL) operates Maharashtra's only iron ore mine at Surjagarh (Gadchiroli district) and has a diverse set of operations with an iron ore (high grade) mining capacity of 10mt, which is proposed to be extended to 25mt (finished ore) by 4QFY25. It has a DRI capacity of 0.35mt and a captive power plant with a capacity of 34 MW. Further, LMEL will be moving up in the steel value chain by setting up integrated steel facilities of 1.2mt wire rod mill and 3mt HRC, along with a 12mt pellet plant. We are initiating coverage on LMEL with a 'BUY' rating and a SOTP based Target Price of Rs1905 (33% upside).

Unique cost advantage in a tightening ore market. LMEL got its mine in Maharashtra via allocation route before MMDR Act of 2015, LMEL's royalty structure is one of the lowest in India, giving it a unique cost advantage. With captive miners like Tata Steel losing their low-cost ore advantage in 2030, LMEL will be placed amongst the lowest cost ore producers in the country. LMEL is expecting approval of increasing mining capacity from 10mt to 55mt (25mt finished ore) in 4QFY25, which would provide a significant improvement in EBITDA FY26 onwards. Driven by various disruptions in the ore mining industry over the last decade, ore availability in India has lagged the growth in steel production. With the new auction regime, cost of production for other players has sky rocketed. The recent step by the Karnataka government to ask for higher premiums from miners, further adds to supply and cost uncertainty.

Forward integration plans provide ample room for growth. Apart from ore mining and sponge iron business, LMEL is moving into more value-added products by adding 12mt pellet plant, 1.2mt wire rod mill, 3mt HRC capacity and is doubling its DRI capacity. LMEL has earmarked Rs327bn for this expansion plan, over FY23-30. This would provide a further fillip to its profitability on top of higher ore volumes. We have built in capex of Rs35bn for FY25 and Rs70bn in each of FY26 and FY27. This would also set the stage for the company to add more capacity beyond 4.2mt steel post FY30, and given the lower base, the pace of capacity addition would lead to meaningful growth in P&L parameters. Indian steel demand is expected to rise faster than GDP growth as capex intensity across industries increases (estimate 8% CAGR) and low cost producers like LMEL are well placed to benefit in the medium term.

Continued improvement in financial parameters. We expect EBITDA to rise at a CAGR of 91% from FY25 to FY27, driven by higher ore volumes and improving value-added mix. We initiate coverage with a SOTP based 'BUY' rating, valuing the core business at 8x FY27 EBITDA and MDO business at 10x FY27 EBITDA, and target price of Rs1905.

Key valuation metrics

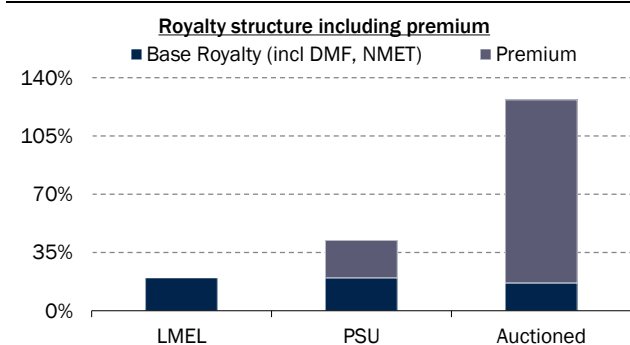
Year to 31 Mar	FY23	FY24	FY25E	FY26E	FY27E
Net sales (Rs m)	33,923	65,217	81,081	1,80,541	2,12,727
EBITDA (Rs m)	8,103	17,283	24,635	70,087	90,089
Adj. net profit (Rs m)	9,059	12,429	17,813	54,481	71,803
Adj. EPS (Rs)	20.5	24.6	33.3	97.4	128.3
% change	353.9	20.1	35.1	192.8	31.8
PE (x)	13.9	24.5	43.2	14.7	11.2
Price/ Book (x)	8.2	10.8	11.4	5.7	3.8
EV/ EBITDA (x)	15.2	17.4	30.9	11.2	8.6
RoE (%)	90.1	57.3	37.2	52.5	40.9
RoCE (%)	69.7	74.5	48.2	64.8	49.2

Source: Company, DAM Capital Research

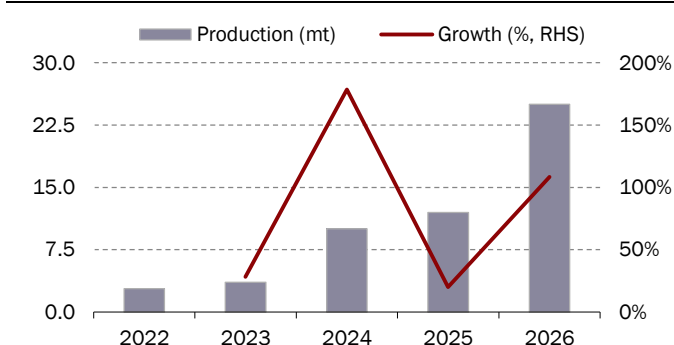
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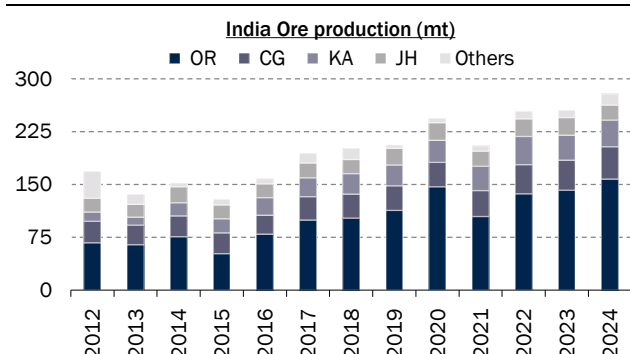
STORY IN CHARTS

Exhibit 1: LMEL has unique low cost advantage


Source: Company Data, DAM Capital Research

Exhibit 2: Production to rise to 25mt from 12mt in FY25


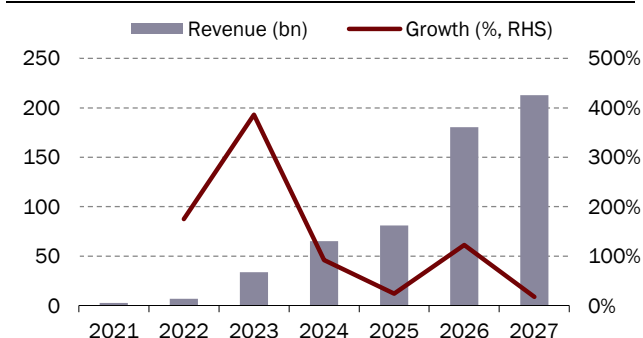
Source: Company Data, DAM Capital Research

Exhibit 3: India's ore production growth has seen disruptions


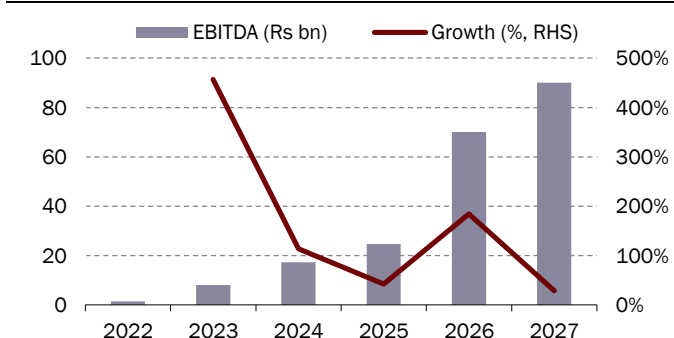
Source: IBM, BigMint, DAM Capital Research

Exhibit 4: Ore availability has lagged steel production growth

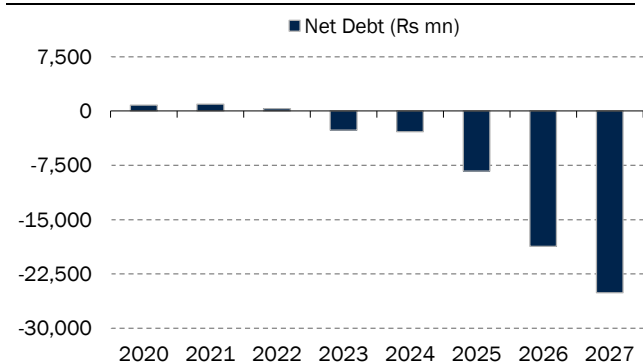

Source: IBM, BigMint, DAM Capital Research

Exhibit 5: Revenue to rise at 62% CAGR FY25-27


Source: Company Data, DAM Capital Research

Exhibit 6: EBITDA to rise at 91% CAGR FY25-27


Source: Company Data, DAM Capital Research

Exhibit 7: We expect LMEL to remain net cash positive


Source: Company Data, DAM Capital Research

Exhibit 8: SOTP of Rs1905/share target price

	FY27E	EV/EBITDA	EV	Per share
Core Business				
EBITDA	90,089	8.0x	7,20,714	1,288
Net Debt			-18,676	
Equity Value (A)			7,39,390	1,321
Equity Value of IPS benefits (B)	11,500	8.0x	92,000	164
MDO Business				
EBITDA	34,460	10.0x	3,44,600	
Debt			49,700	
Equity Value			2,94,900	521
LMEL Stake			80%	
LMEL MDO Equity Value (C)			2,35,920	422
Target Price (A+B+C)				1,907

Source: DAM Capital Research

Investment Rationale

❑ Unique cost advantage in a tightening ore market

LMEL got its mine in Maharashtra via allocation route before MMDR Act of 2015, LMEL's royalty structure is one of the lowest in India, giving it a unique cost advantage. With captive miners like Tata Steel losing their low-cost ore advantage in 2030, LMEL will be placed amongst the lowest cost ore producers in the country. LMEL is expecting approval of increasing mining capacity from 10mt to 55mt (25mt finished ore) in 4QFY25, which would provide a significant improvement in EBITDA FY26 onwards. Driven by various disruptions in the ore mining industry over the last decade, ore availability in India has lagged the growth in steel production. With the new auction regime, cost of production for other players has sky rocketed. The recent step by the Karnataka government to ask for higher premiums from miners, further adds to supply and cost uncertainty. LMEL is well positioned to benefit from tightening ore supply and possibility of rise in ore prices.

❑ Forward integration plans provide ample room for growth

Apart from ore mining and sponge iron business, LMEL is moving into more value-added products by adding 12mt pellet plant, 1.2mt wire rod mill, 3mt HRC capacity and doubling its DRI capacity. LMEL has earmarked Rs327bn for this expansion plan, over FY23-30. This would provide a further fillip to its profitability on top of higher ore volumes. We have built in capex of Rs35bn for FY25 and Rs70bn in each of FY26 and FY27. This would also set a stage for the company to add more capacity beyond 4.2mt steel post FY30, and given the lower base, the pace of capacity addition would lead to meaningful growth in P&L parameters. Indian steel demand is expected to rise faster than GDP growth as capex intensity across industries increases (estimate 8% CAGR)

❑ 'Ore miner' adding 'mining enabler' to its kitty

LMEL, in Dec-2024, announced a strategic acquisition of a 79.82% stake in Thriveni Earthmovers & Infra Limited (TEIL) through an equity investment of Rs 700 mn, where the MDO business of TEMPL will be demerged through the issuance of RPS to the tune of Rs 21.6 bn as a consideration to the shareholders of TEMPL. Further, the debt of TEIL (which is demerged from TEMPL) amounting to Rs 28 bn and RPS to the tune of Rs 25 bn will be guaranteed by LMEL. This strategic acquisition of the business of TEMPL, which is one of the largest mine developers and operators (MDO) in the country, positions LMEL for future growth as it continues to expand its reach and capabilities in the mining space.

TEIL's integration into LMEL's business will help generate cost savings of Rs 500/t, while the MDO business targets cumulative revenue of Rs 270bn with an EBITDA of Rs 90bn during FY26-28, backed by a strong order book of Rs700bn (10-15 years).

❑ Expect continued sharp improvement in financial parameters

LMEL is poised for its next leg of growth with the proposals of increasing the mining capacity to 55 MT (25MT will be for sales/internal consumption) in FY26. supported through beneficiation of BHQ mine of converting it's low-grade iron ore while becoming an integrated steel manufacturer. We expect revenue to grow at a CAGR of 62% from FY25-27 and EBITDA to grow at a CAGR of 91% over FY25-27. We expect LMEL to maintain its net cash status, helped by the recent QIP and the remaining proceeds of the preferential allotment in FY26 and strong internal accruals. The state support in form of IPS cashflows will also help fund the capex.

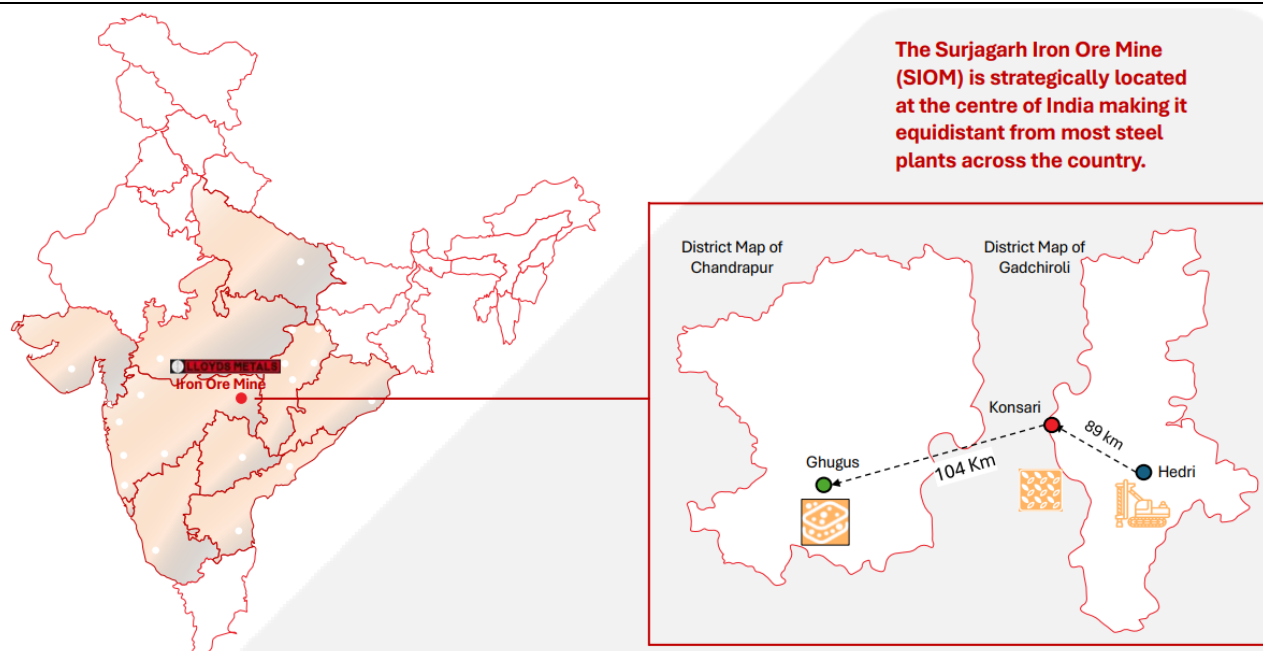
We initiate coverage with a SOTP based 'BUY' rating, valuing the core business at 8x FY27 EBITDA and MDO business at 10x FY27 EBITDA, and target price of Rs1905.

Low cost miner with strong growth plans

□ Unique cost advantage of lower duty versus peers

LMEL is the sole iron ore miner in Maharashtra, with an iron ore mining capacity of 10mtpa with mining lease till 2057 at Surjagarh village, Gadchiroli district. The company has applied for an increase in production limit to 25mtpa and is expecting approval in 4QFY25. LMEL has 157mt reserves of high-grade ore and 706mt of low grade Banded Hematite Quartzite (BHQ). The company plans to beneficiate BHQ into high grade ore, with a yield of 33-38% (~3 tons of BHQ for 1 ton of high-grade ore). IT has a sponge iron capacity of 350kt and power capacity of 34MW.

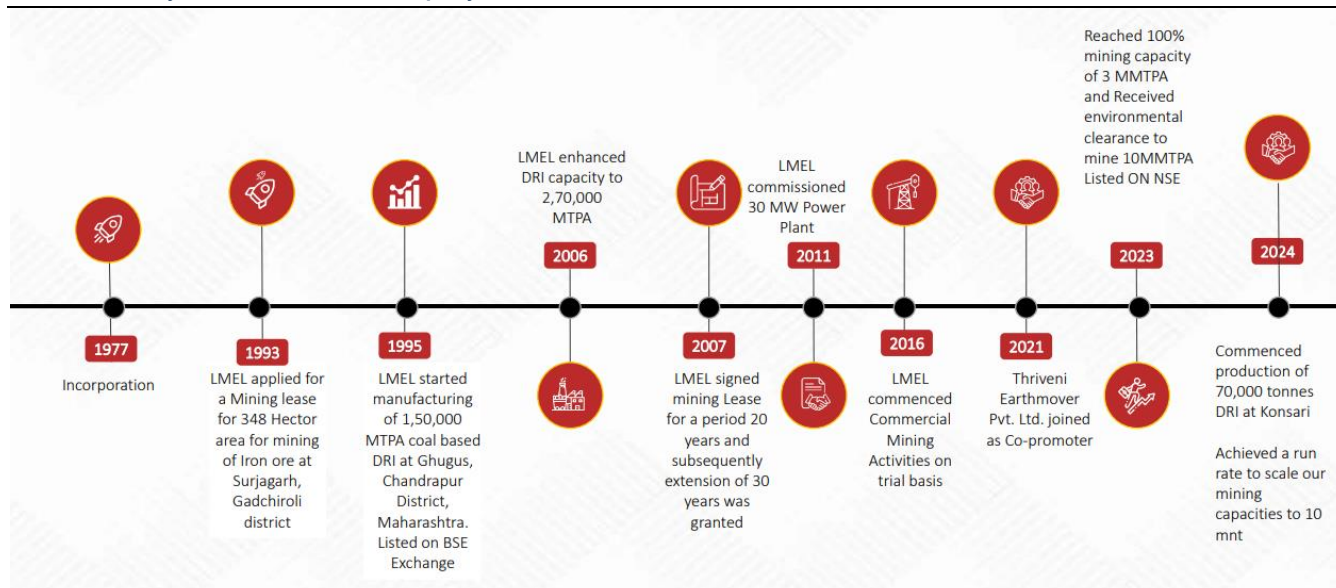
Exhibit 9: LMEL's locations in Maharashtra



Source: Company, DAM Capital Research

The company is in the phase of adding value added projects and expanding capacity by spending Rs327bn over FY23 to FY30. LMEL has seen exponential growth in the past few years on the back of increasing the scale of its mining operations.

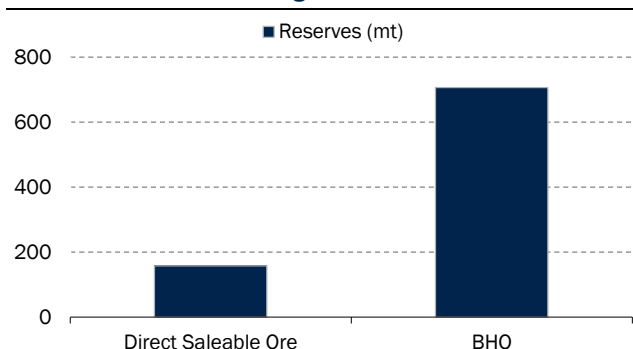
Exhibit 10: Key Milestones of the company



Source: Company, DAM Capital Research

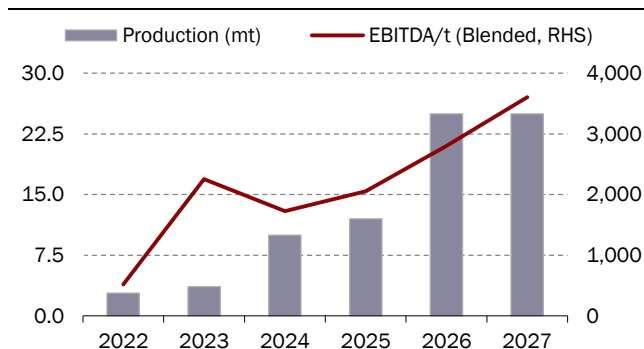
Due to instability in the region, LMEL's mines faced challenges in operations in the last decade. In 2021, the company entered a strategic partnership with Thriveni Earthmovers Private Limited (Co-promoter) and the mine started operations at full capacity in Sep-21, with production rising from 2.8mt in FY22 to 10mt in FY24.

Exhibit 11: LMEL has low grade reserves as well



Source: Company, DAM Capital Research

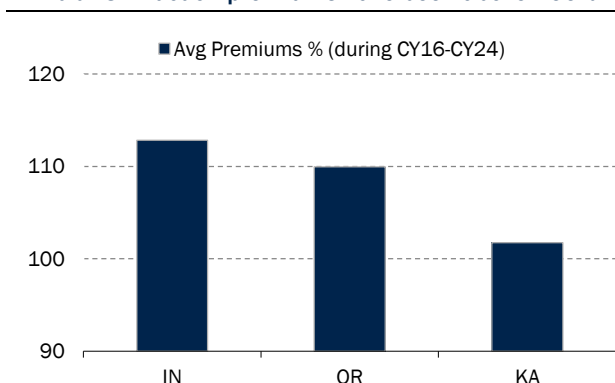
Exhibit 12: Production to rise from 12mt in FY25 to 25mt



Source: Company, DAM Capital Research

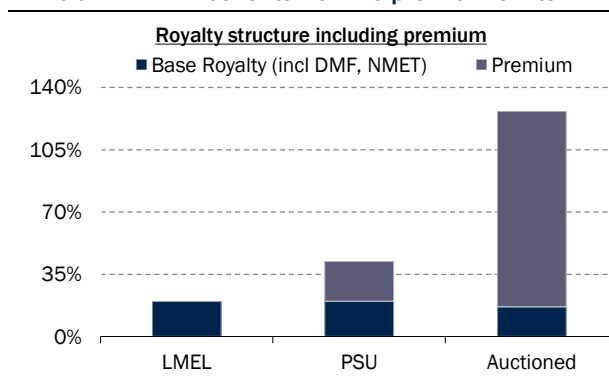
Because LMEL got the mining lease under allocation route, it is one of the lowest cost miners in the country as its royalty is the base royalty of 15% (ad valorem). This compares with 37.5% for NMDC and 100%+ for miners who won their leases in auctions after FY20. This is a unique advantage to Lloyds metals, as after 2030, even captive mines will go in auction and players like Tata Steel will also lose their low cost advantage and would likely pay hefty premiums like JSW Steel.

Exhibit 13: Auction premiums have been above 100%



Source: Ministry of Mines, DAM Capital Research

Exhibit 14: LMEL benefits from no premium on its mine



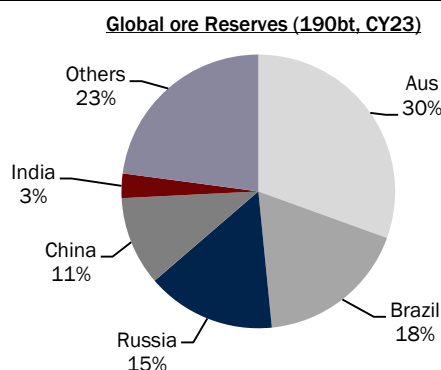
Source: Company, DAM Capital Research

LMEL is the first company in India to set up India's 1st BHQ beneficiation plant which the management targets to complete by September 2027. BHQ beneficiation refers to the process of upgrading Banded Hematite Quartzite (BHQ), a low-grade iron ore, to extract high-grade iron ore concentrates. This involves techniques such as crushing, grinding, and magnetic separation to separate iron-rich hematite from quartz and other impurities, making it suitable for steel production and industrial use. Considering the entity has 706 million of BHQ reserves of low-grade iron ore, this beneficiation plant will help the company to produce adequate levels of higher-grade iron ore and relatively lower cost. As per the management, the company is getting a yield at around 30-40% yield from BHQ to Iron ore with 68% Fe output. The incremental cost of beneficiation is ~Rs800/t however it would be offset by the lower royalty outflow as the company strategically has set up the beneficiation plant outside the mine area and the royalty outflow would be on the lower grade material. Further, the management estimates the total cost of the ore including royalty, transport and charge of beneficiation to be around Rs2800-3000/t. The company envisages to add one module of the beneficiation plan which of 15 million tonnes ramping it to 45 million tonnes in the third year. This could also further create opportunities capture a leadership position in a niche market.

Tightening ore market and rising cost curve

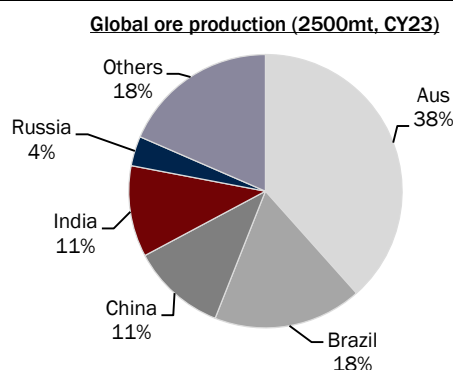
At 6bt, India has 3% of global reserves of iron ore and was 11% of global iron ore production (CY23). Despite having large iron ore reserves, the Indian iron ore industry has been marred by a series of disruptions over the last decade.

Exhibit 15: Share of global ore reserves



Source: USGS, DAM Capital Research

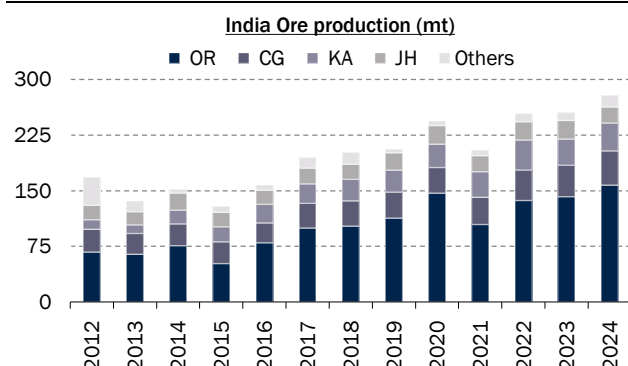
Exhibit 16: Share of global ore production



Source: USGS, DAM Capital Research

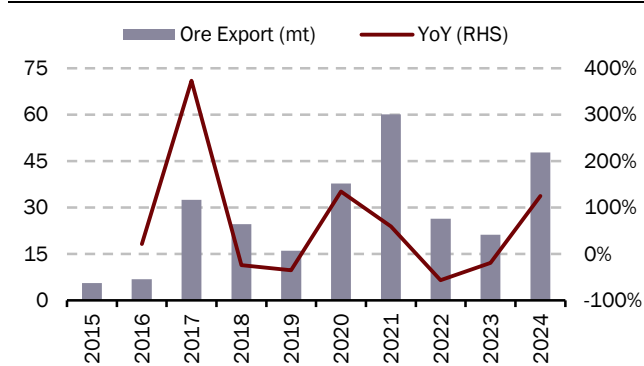
On the back of allegations of illegal mining, operations were banned in Karnataka in 2011 and Goa in 2012. While these bans were later lifted, the Supreme Court put a cap on production of ore from the two states. Odisha, the largest iron ore miner in India, also saw temporary closures in 2014 on half of its mines. This led to a sharp fall in iron ore production in the country after FY12, a level which was breached only in FY17 as Odisha mining returned to a growth path. Ore production in the country grew at a CAGR of sub-par 4% over FY12-FY24, crude steel production grew at 6%.

Exhibit 17: Ore production rose at 4% CAGR in FY12-24



Source: IBM, BigMint, DAM Capital Research

Exhibit 18: Ore exports rose 125% YoY in FY24



Source: IBM, BigMint, DAM Capital Research

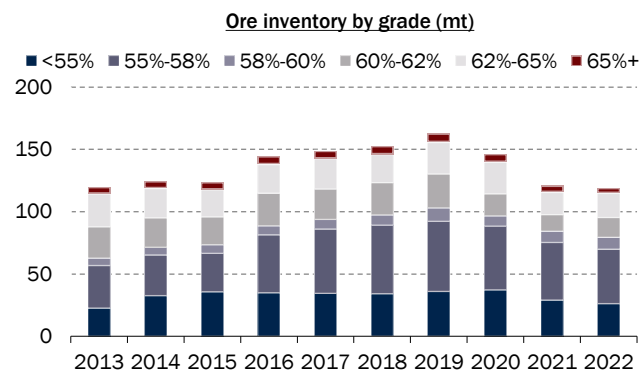
Exports of ore (ore + pellets) have also risen recently, up 125% YoY in FY24. This has led to a weakness in domestic ore availability in the country, which was flat in YoY FY24 and grew at just 3% CAGR during FY19-24 (steel production was up 5%). Mine-head ore inventory has been on the decline since FY19 as a result, 67% of which was low grade ore (sub 60% Fe) as of FY22 end.

Exhibit 19: Ore availability grew at 3% during FY19-24



Source: IBM, BigMint, DAM Capital Research

Exhibit 20: Mine-head ore inventory on the decline



Source: IBM, DAM Capital Research

With steel mills continuing to focus on expansion with much improved balance sheets post Covid, we believe that iron ore supply may not be able to match the growth in crude steel production over the next decade. We expect steel production to rise at 7% CAGR over the next few years on the back of 8% demand growth CAGR.

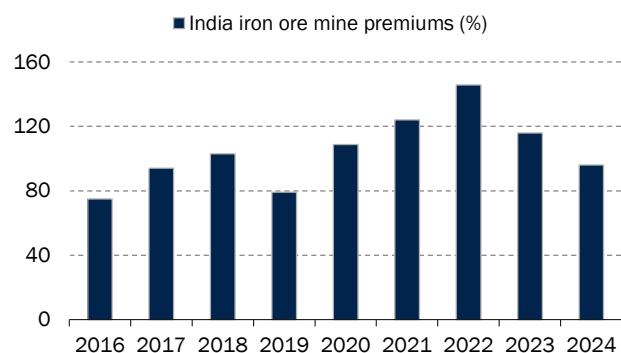
Exhibit 21: India Steel Demand/Supply Model – consumption to grow above GDP growth rate

FY	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025F	2026F	2027F
Steel Capacity	110	122	128	138	142	142	144	154	161	180	185	190	195
Crude Steel Production	89	90	98	103	111	109	104	120	127	144	153	163	173
Capacity Utilisation (%)	81	74	76	75	78	77	72	78	79	80	83	86	89
Finished Steel Production	76	75	86	94	101	103	96	114	123	139	148	157	167
YoY (%)	3	-1	15	9	7	1	-6	18	8	13	6	7	6
Imports	9	12	7	7	8	7	5	5	6	8	9	11	14
% of Finished Steel prod	12	16	8	8	8	7	5	4	5	6	6	7	8
Exports	6	4	8	10	6	8	11	13	7	7	5	5	5
% of Finished Steel prod	7	5	10	10	6	8	11	12	6	5	3	3	3
Net Imports	4	8	-1	-2	1	-2	-6	-9	-1	1	4	6	9
Inventory	3	1	1	2	4	1	-5	-1	3	4	2	1	1
Finished Steel Consumption	77	82	84	91	99	100	95	106	120	136	150	162	175
YoY	4	6	3	8	9	1	-5	11	13	14	10	8	8

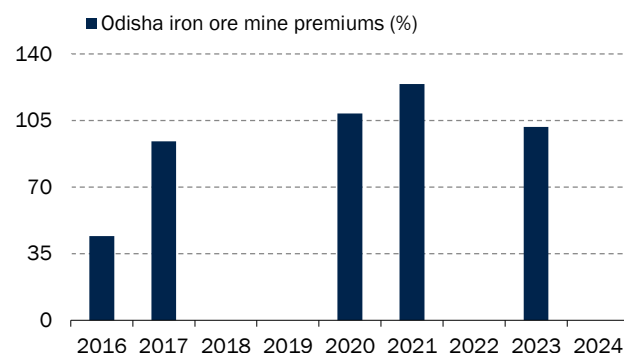
Source: JPC, DAM Capital Research

The MMDR Act, 2015 mandated a cut-off date for expiry for iron-ore mines, merchant mines were to expire by FY20 end and captive mines will be expiring in FY30. The Act put steelmakers and miners on the same playing field, putting the latter at a disadvantage. Steelmakers bid aggressively in the auctions, with most of the mines being won at 100%+ premium, meaning that winners will have to pay 100%+ of the IBM published iron ore price to the government.

Auction premiums have risen sharply since CY19 and have been steadily above 100% for most of the ready mines. Auctions in Odisha were very aggressive and saw major steel makers outbid merchant miners by bidding hefty premiums.

Exhibit 22: Auction premiums have been 100%+ recently

Source: Ministry of Mines, DAM Capital Research

Exhibit 23: Odisha mining auctions saw high premiums

Source: Ministry of Mines, DAM Capital Research

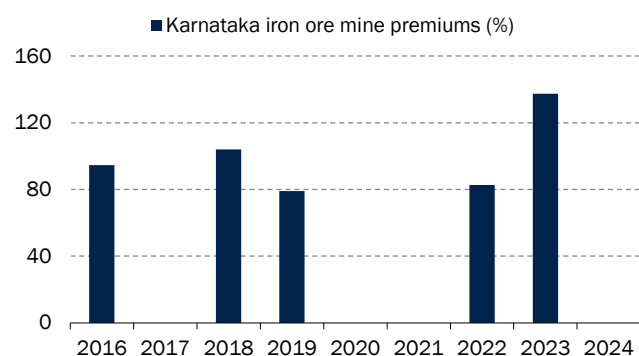
Exhibit 24: Odisha Iron Ore Auctions since 2015

Name of the Block	Date of auction	Area (in Ha)	Reserves (in MT)	Final Bid (in %)	Preferred Bidder
Nuagaon Iron Ore Block	31.01.2020	776.97	789.05	95.2	JSW Steel Ltd
Gandhalpada Iron Ore Block	16.09.2021	241.1	314.37	141.25	TATA Steel Mining Ltd.
Kasia Iron Ore & Dolomite Block	16.09.2021	194.19	278.04	118.1	Jindal Steel & Power Ltd.
Balda Iron Ore Block	03.02.2020	343.98	200.11	118.1	Serajuddin & Co.
Guali Iron Ore Block	17.03.2020	365.03	194.94	144	Jindal Steel & Power Ltd(Reserved for OMC)
Narayanposhi Iron Ore & Manganese Block	01.02.2020	347.01	185.1	98.55	JSW Steel Ltd
Thakurani Iron Ore Block	02.02.2020	228.74	179.27	107.6	Arcelor Mittal India Pvt Ltd
JumkaPathiriposhiPahar Iron Ore Block	16.09.2021	158.509	140.28	110.15	Rungta Mines Ltd.
Ganua Iron Ore Block	04.02.2020	88.516	118.92	132	JSW Steel Ltd
Kendudhi North Block	14.03.2023	187.86	109.76	100	Rungta Mines Limited
Ghoraburhani- Sagasahi	02.03.2016	139.2	99.59	44.35	Nippon Steel India Ltd.
Kalamang West (Northern part)	18.05.2017	92.875	92.85	100.1	Bhushan Steel Ltd
Netrabandha	19.05.2017	139.22	81.973	87.15	Bhushan Power and Steel Ltd
Jilling - Langalota Iron Ore Block	05.02.2020	456.04	72.84	135	Shyam Ores Jharkhand Pvt. Ltd(Reserved for OMC)
Kedesala North East Block	17.03.2023	100.44	51.89	100	Rungta Mines Limited
Chandiposhi Iron Ore Block	16.09.2021	131.58	47.07	113.1	Rungta Mines Ltd.
Pureibahal Block	04.10.2021	64.337	46.8	124	Rungta Mines Limited
Jajang Iron Ore Block	06.02.2020	669.08	39.42	110	JSW Steel Ltd
Mahulsukha Iron Ore & Manganese Block	08.02.2020	390.32	33.54	92.7	Patnaik Minerals Private Ltd
Nadidih Iron Ore Block (BICO)	16.09.2021	74.5	27.04	95.6	ESL Steel Ltd.
Roida II Iron Ore Block	07.02.2020	74.702	25.89	90.9	Narbheram Power and Steel Pvt Ltd
Dholtapahar Iron Ore Block	16.09.2021	60.51	23.92	126.55	Kashvi Power & Steel Pvt. Ltd.
Nadidih Iron Ore and Manganese Block(Feegrade)	16.09.2021	117.21	23.69	92.3	ESL Steel Ltd.
Gorumahisani Iron Ore Block	10.02.2020	348.05	17.6	115	Ghanshyam Mishra & Sons Private Limited
NetrabandhaPahar (West)	16.09.2021	74.37	17.265	139.5	Raga TradeconPvt. Ltd.
Teherai Iron Ore and Manganese Block	15.02.2020	135.08	8.9	93.06	Tarama Appartment Pvt Ltd (Forefeited)
Orahuri Block (E)	21.03.2023	50.203	7.18	140.1	Om Sairam Steels & Alloys Pvt. Ltd.
Jaribahal Iron Ore Block	14.02.2020	107.44	7.15	150	Kashvi International Pvt Ltd
Badampahar Iron Ore Block	01.07.2020	128.43	4.484	95.15	GM Iron & Steel Company Ltd
Jururi Iron Ore Block	16.02.2020	73.413	2.7	126.3	JagatJanani Services Private Limited
Kolmong Iron Ore and Manganese Block	12.02.2020	218.48	1.4	100	Yazdani Steel & Power Ltd
Siljora-Kalimati Block	13.02.2020	713.51	0.72	154	DebabrataBehera

Source: Ministry of Mines, DAM Capital Research

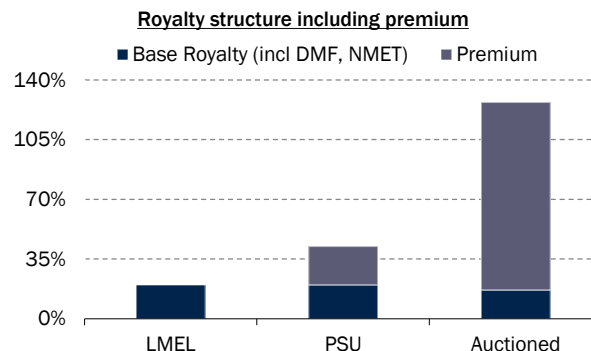
In Karnataka as well, mines were won in auctions by bidding 100%+ premiums over the past few years. LMEL enjoys low duty advantage among such bidders.

Exhibit 25: Karnataka auctions have been aggressive too



Source: Ministry of Mines, DAM Capital Research

Exhibit 26: LMEL enjoys low duty structure



Source: Company, DAM Capital Research

Exhibit 27: Karnataka Iron Ore Auctions since 2015

Name of the Block	Date of auction	Area (in Ha)	Reserves (in MT)	Final Bid (in %)	Preferred Bidder
ML No. 2148	06.09.2018	60.66	63.33	129.9	MSPL Limited
ML No. 2346	24.07.2019	93.6	60.67	67.1	JSW Steel Limited
ML No. 2365, Ittanahalli, Bellary	04.10.2016	130.53	33.89	81.1	JSW Ltd
Jaisinghpura South Block	24.03.2023	297.38	32.08	145.8	M/s JSW Steel
ML No. 262, Ramgad, Bellary	01.10.2016	33.8	31.53	90.82	JSW Ltd
ML No. 2290, Sandur, Bellary	06.10.2016	100.54	28.618	102.5	JSW Ltd
ML No. 2559, Swamimalai range, Bellary	05.10.2016	26.71	28.47	111.1	MSPL Ltd
Vyasanakere Block	28.03.2023	405.4	27.22	114.3	M/s JSW Steel
Somanahalli Block	20.03.2023	190.13	26.34	140.1	Ramalingam Construction Company Pvt. Ltd.
ML No. 1602	25.07.2019	107.51	22.266	102.7	JSW Steel Limited
ML No 2293	03.02.2022	191.3	18.381	85.2	GVPR Engineers Limited
Jaisinghpura North Block	21.08.2023	298.59	17.66	150.3	JSW Steel Limited
ML No. 2487, Karadikolla, Bellary	03.10.2016	86.12	14.709	100.3	MSPL Ltd
ML No. 2239	24.07.2019	43.58	12.207	97.5	JSW Steel Limited
ML No. 2313, Malgolla, Bellary	05.10.2016	21.61	10.026	100.1	JSW Ltd
ML No. 2433	03.09.2018	29.49	10.024	59.5	Minera Steel and Power Pvt Ltd
Sri M Srinivasulu, ML.No. 2631	02.09.2022	75.14	9.88	80.6	Rai Bahadur Seth Shreeram Narasingdas
ML No. 995	04.09.2018	32.89	9.708	95.2	JSW Steel Ltd
ML No. 2563	05.09.2018	30.09	9.26	111	MSPL Limited
ML No. 2185	05.12.2018	44.42	9.224	39.1	Hothur Ispat Pvt Ltd
ML No. 2245,	03.09.2018	24.47	7.577	55.5	Kirloskar Ferrous Industries Ltd
ML No. 2366, Ittanahalli, Bellary	04.10.2016	33.21	6.939	58.9	JSW Ltd
ML No. 2584 M/s Auro Minerals	21.02.2022	32.05	6.72	107.5	Minra Steels
Block No. 04, HRG	24.07.2023	40.04	5.32	149.1	R Praveen Chnadra
ML No. 2531	25.07.2019	56	3.567	72.1	MSPL Limited
ML No. 2585 Thangavelu & Others	01.09.2022	60.92	3.3	26	B.L Ranisamyuktha
ML No. 2566	05.12.2018	7.57	3.179	36.7	Kirloskar Ferrous Industries Ltd
ML No. 2451	01.09.2022	24.04	2.137	85.2	Udayshivakumar Infra Private Limited
ML No. 2586	19.01.2022	15025	0.562	60.1	M/s Baig Trading Company

Source: Ministry of Mines, DAM Capital Research

The Karnataka state government has also passed the Karnataka (Mineral Rights and Mineral Bearing Land) Tax Bill, 2024, in response to a landmark Supreme Court ruling that empowers states to levy taxes on mineral rights and mineral-bearing lands. Under this proposal, ore miners can be taxed as high as 1.5x-3x of the royalty.

We believe that this may lead to a disruption in supply of ore and situation may further worsen if other states follow suit. We believe that Lloyds, being the only miner in Maharashtra, is key to the development of Gadchiroli area and hence the likelihood of Maharashtra following suit is very low. However, LMEL stands to benefit if there is disruption or if additional taxes in other states is passed on to customers.

Exhibit 28: Karnataka has proposed to add 1.5x-3x Royalty as tax on iron ore mineral rights

Type of Ore		Rate of Tax of Mineral Bearing Land (Rs/t)	Rates of tax on Mineral Right wef 12.01.2015			
Main	Sub		For Leases granted non-auction (INR)	Govt PSU granted prior to 12.01.2015 & till 50 years of lease period (INR)	Govt PSU granted prior to 12.01.2015 & completed 50 years of lease period (INR)	Govt PSU granted after 12.01.2015 (INR)
Bauxite & Laterite	Metallurgical Grade	100	1.25 X Royalty	1.25 X Royalty	0.25 X Royalty	0.25 X Royalty
	Non-metallurgical Grade	50	1.25 X Royalty	1.25 X Royalty	0.25 X Royalty	0.25 X Royalty
Chromite		100	3 X Royalty	3 X Royalty	1.5 X Royalty	1.5 X Royalty
Copper Ore		50	1 X Royalty	1 X Royalty	0.5 X Royalty	0.5 X Royalty
Gold	Primary	50	1.25 X Royalty	1.25 X Royalty	0.5 X Royalty	0.5 X Royalty
	By-product gold	50	1.25 X Royalty	1.25 X Royalty	0.5 X Royalty	0.5 X Royalty
Iron Ore (CLO, lumps, fines & concentrates all grades)		100	3 X Royalty	3 X Royalty	1.5 X Royalty	1.5 X Royalty
Limestone	LD Grade >1% Silica	25	1.25 X Royalty	1.25 X Royalty	0.25 X Royalty	0.25 X Royalty
	Others	20	1.25 X Royalty	1.25 X Royalty	0.25 X Royalty	0.25 X Royalty
Limeshell		20	1.25 X Royalty	1.25 X Royalty	0.25 X Royalty	0.25 X Royalty
Magnesite		100	1.25 X Royalty	1.25 X Royalty	0.25 X Royalty	0.25 X Royalty
Manganese Ore	Ore of all grade	100	1.25 X Royalty	1.25 X Royalty	0.25 X Royalty	0.25 X Royalty
	Concentrate	100	1.25 X Royalty	1.25 X Royalty	0.25 X Royalty	0.25 X Royalty
All other major minerals in not herein before specified		40	1.25 X Royalty	1.25 X Royalty	0.25 X Royalty	0.25 X Royalty

1/-

Source: BigMint, DAM Capital Research

Expansion projects to drive strong growth

LMEL is pursuing significant capacity expansion plans, including enhancing the mining capacity of the Iron Ore Mines from 10mt to 55mt (25mt high grade ore run rate), subject to environmental clearance. LMEL is setting up a 3mt fully integrated steel plant at Konsari and is adding a new DRI facility and a 1.2mt Wire Rod mill in Ghugus. LMEL has a planned a capex of Rs327bn over FY23-30.

Exhibit 29: Expansion plans for LMEL

	Overall capacity		Location Wise Capacity			
	Existing	Post Expansion	Ghugus/ Chandrapur		Konsari/ Gadchiroli	
			Existing	Post Expansion	Existing	Post Expansion
Iron Ore (Saleable/ processed)	10 MNT	25 MNT	-	-	10 MNT	25 MNT
BHQ Beneficiation	-	45 MNT	-	-	-	45 MNT
Pellets	-	12 MNT	-	4 MNT	-	8 MNT
Slurry Pipeline	-	85 kms & 190 kms	-	190 kms	-	85 kms
Sponge/ DRI	0.34 MNT	0.70 MNT	0.27 MNT	0.63 MNT	0.07 MNT	0.07 MNT
Steel & Power	34 MW	Wire Rods: 1.2 MNT HRC: 3 MNT (backed by 504 MW Power)	-	Wire Rod: 1.2 MNT	-	HRC: 3.0 MNT

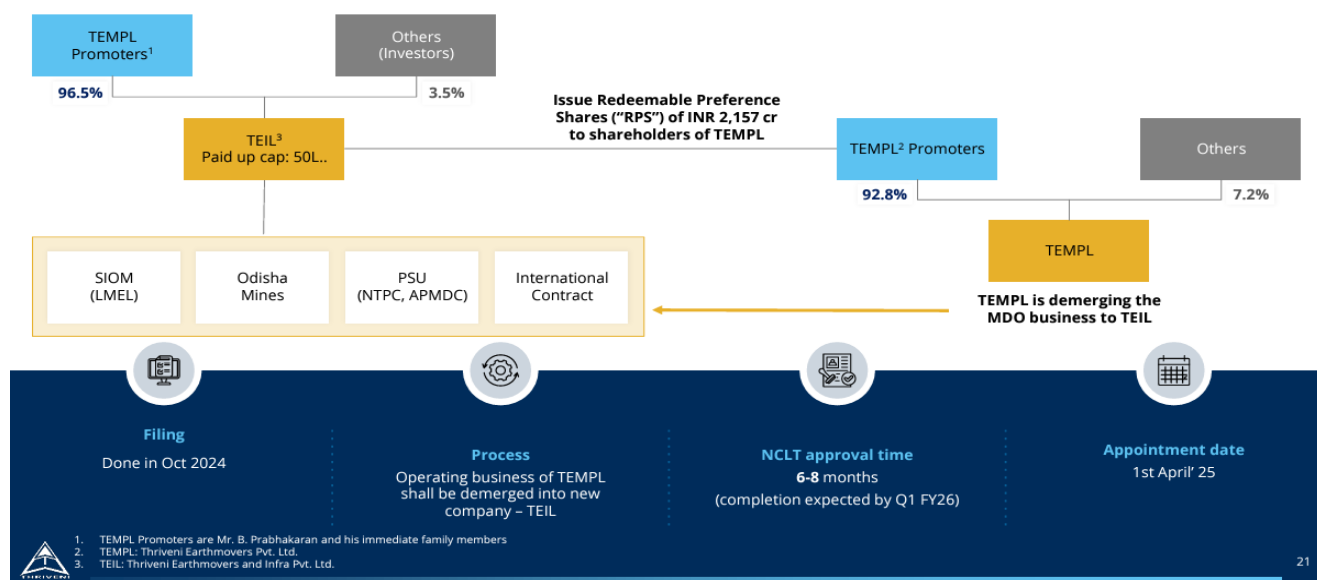
Source: Company, DAM Capital Research

Industrial Promotion Subsidy (IPS) offers a refund on the capital expenditure incurred by the entity. Under this scheme, the company will receive 110% of the cost of its Chandrapur project and 150% of the cost of its Gadchiroli project as a subsidy through SGST refunds, averaging approximately 130% of the invested capital. These refunds will accrue to the entity over a period of 12 years. With a planned capital expenditure of Rs327bn until FY30, these inflows are expected to bolster operating cash flows, which will support the company's significant capex plans and mitigate the impact on free cash flow. Additionally, LMEL raised Rs12bn through a QIP in FY25 and received Rs7bn from the initial payment for preferential warrant. issued during the same year. The company is expected to receive the remaining amount of the warrants, totalling Rs22bn in FY26. These substantial subsidies and fund-raising efforts provide robust support for LMEL's expansion plans while aligning with its strategy of maintaining a debt-free status.

TEIL Acquisition: Miner to Mining Enabler

In Dec-2024, LMEL announced strategic acquisition of a 79.82% stake in Thriveni Earthmovers & Infra Limited (TEIL) through an equity investment of Rs700mn. Further, the MDO business of Thriveni Earthmovers (TEMPL) is in the process of demerger to TEIL, which is currently pending approval from NCLT, Chennai.

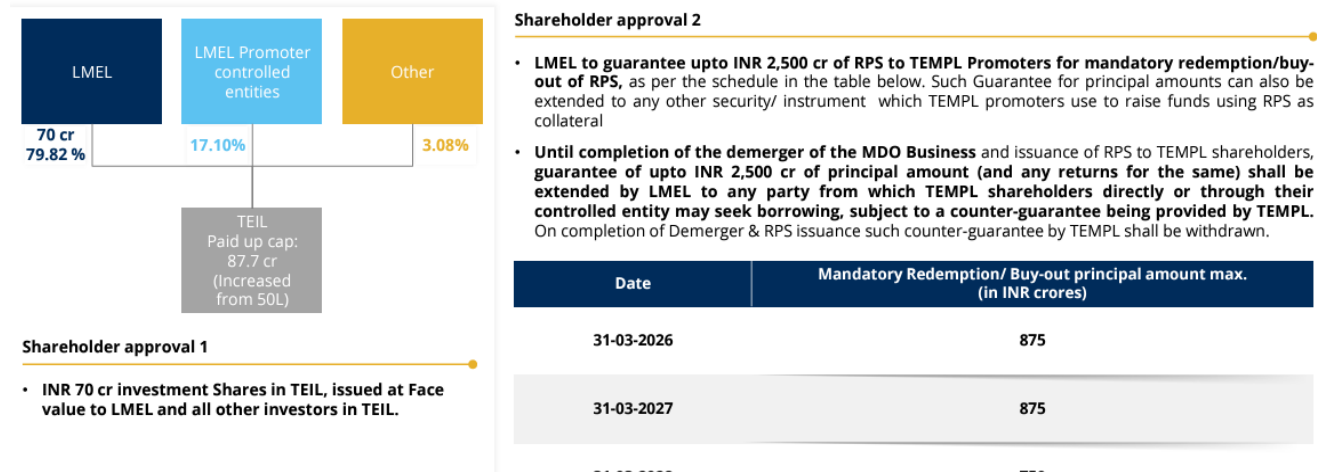
Exhibit 30: Current Demerger Plan/Issuance of RPS in lieu of MDO business



Source: Company, DAM Capital Research

Pursuant to said scheme of demerger, TEIL shall receive the MDO business of TEMPL and it shall issue Redeemable Preference shares worth Rs21.6 bn as a consideration to the shareholders of TEMPL. Furthermore, the entire debt of TEIL (which is demerged from TEMPL) amounting to Rs28 bn and RPS to the tune of Rs25bn will be guaranteed by LMEL. This transaction will turn LMEL into a mining enabler via MDO operations along with being a miner.

Exhibit 31: Investment of INR 70 crore in TEIL and Guarantee of up to Rs25bn of principal amount linked to RPS



Source: Company, DAM Capital Research

❑ MDO Business Overview:

TEMPL, one of the largest mine developers and operators (MDO) in the country, provides comprehensive mining services. The company operates a rebuild center capable of refurbishing mining equipment at just 30% of the cost of new equipment. It is a leader in mining innovation and sustainable practices, utilizing fully electric trucks, loaders, and crushers while actively supporting the "Make in India" initiative through reverse engineering and equipment refurbishment.

With a global footprint, strong operations in India and Indonesia, and a robust supply chain spanning all continents for parts sourcing, the company specializes in bulk mining of various minerals, including iron ore (~35 MTPA), coal, and barytes (~90+ million BCM). Positioned for further growth, it continues to expand its reach and capabilities in the mining sector.

Exhibit 32: Summary of MDO Contracts

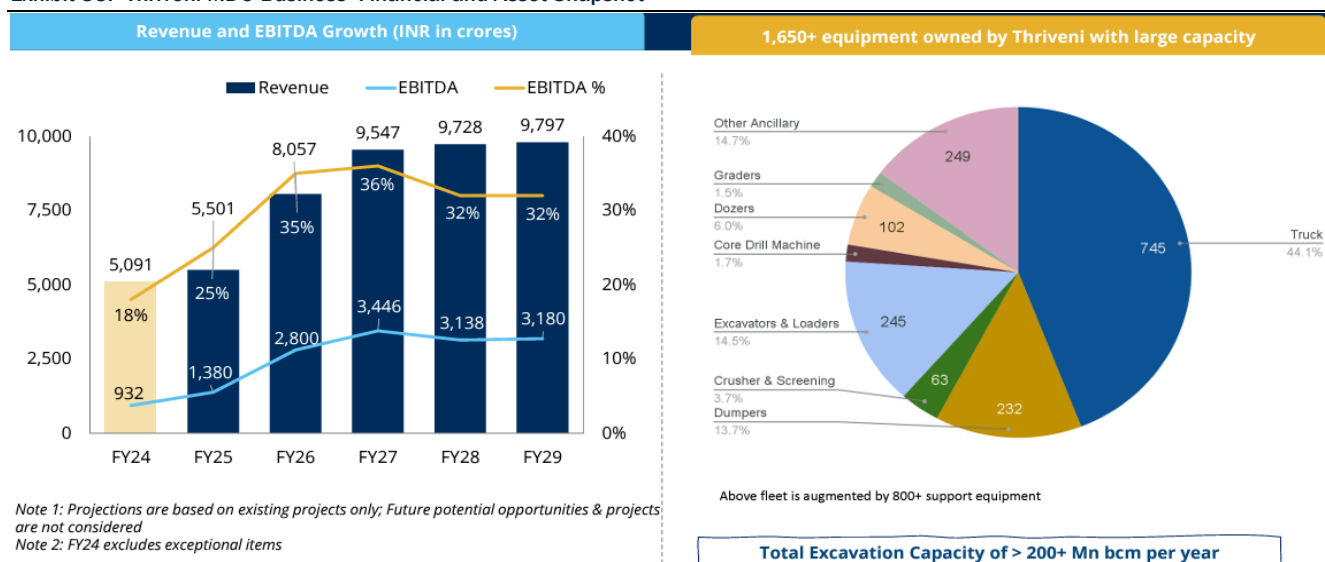
Name of the Mine Owner	Name of the Miners	Current EC (in MTPA)	EC after enhancement (in MTPA)
Surjagarh Iron Ore Mine			
Lloyds Metal & Energy Limited	Surjagarh Iron Ore Mines	10.0	55.0
Odisha Iron Mine			
M/S D R Patnaik	Murgabeda Iron Ore Mines	2.0	2.0
Smt. Geetharani Mohanty	Raikela Iron Ore Mines	5.0	5.0
M/s Shree Metaliks	Khandbandh Iron Ore Mines	1.8	1.8
M/s M G Mohanty	Patabeda Iron Ore Mines	1.5	1.5
M/s Odisha Mining Corporation Ltd.	Guali Iron Ore Mine	9.0	9.0
M/s Odisha Mining Corporation Ltd.	Mahaprabat Iron Ore Mine	1.0	1.0
M/s Arcelor Mittal Nippon Steel India Ltd.	Sagasahi Iron Ore Mines	7.2	9.0
M/s Indrani Patnaik	Unchabali Iron Ore Mines	4.0	4.0
DC Jain	Dalpahar Iron Ore Mines	3.0	3.0
Dr Sarojini Pradhan	Baitarani Iron Ore Mines	0.6	0.6
Government Contracts			
NTPC	Pakri Barwadih Mine	18.0	21.0
NTPC	Pakri Barwadih North West	3.0	3.0
APMDC	Mangampet Baryte	3.0	3.0
International Contracts			
PT Arutmin Indonesia	Satui Coal Project	5.0	5.0

Source: Company, DAM Capital Research

❑ Benefits to LMEL

- Swift execution at optimised costs for ramping up its mining output from 10mt to 55mt at Surjagarh Iron Mine in the next few years.
- Generate cost savings on iron ore mining on a consolidated basis. The management envisages a cost reduction of Rs500/t.
- The MDO business is projected to have cumulative revenues of ~Rs270bn & EBITDA of ~Rs90bn during FY26-28 from current projects under execution.

Exhibit 33: Thriveni MDO Business- Financial and Asset Snapshot

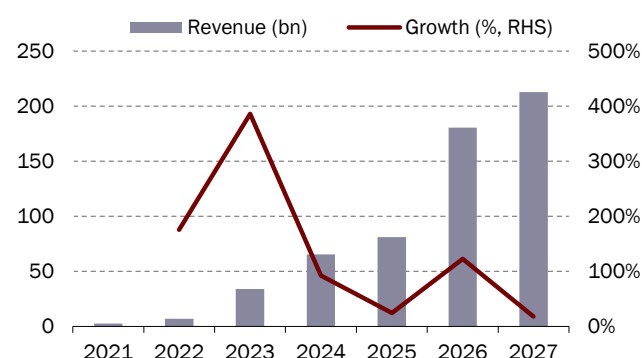


Source: Company, DAM Capital Research

Financials and valuation

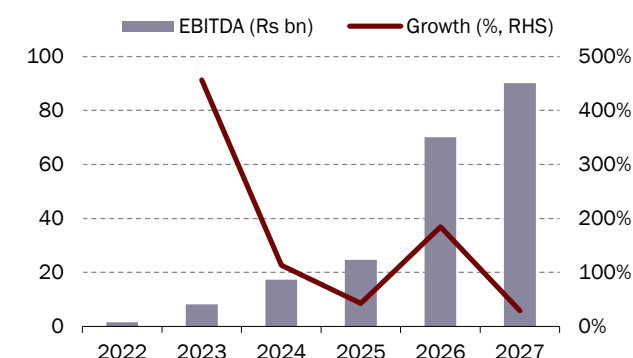
LMEL is poised for its next leg of growth with the proposals of increasing the mining capacity to 55 MT (25MT will be for sales/internal consumption) in FY26. supported through beneficiation of BHQ mine of converting it's low-grade iron ore while becoming an integrated steel manufacturer considering its ambitious capex plan with its projects of setting up integrated steel plants at Ghugus and Konsari. We project the Revenue to grow at a CAGR of 62% from FY25-27 while its initiatives of setting up slurry pipeline across the plants and strategic locations of the mine along with the exemption of paying additional premiums, We expect a strong growth ahead projecting EBITDA to grow at a CAGR of 91% over FY25-27.

Exhibit 34: Revenue to rise at 62% CAGR FY25-27



Source: Company, DAM Capital Research

Exhibit 35: EBITDA to rise at 91% CAGR FY25-27



Source: Company, DAM Capital Research

We value the company on a sum of part basis, where we value the core business at 8x FY27 EV/EBITDA and the MDO business at 10x EV/EBITDA. We note that the MDO projections by the company are based on current projects and have a scope of increasing as they add more contracts over time. We arrive at a fair value of Rs 1,907/share. Initiate with a BUY Rating (+33% upside).

Exhibit 36: Sum of the parts valuation

	FY27E	EV/EBITDA	EV	Per share
Core Business				
EBITDA	90,089	8.0x	7,20,714	1,288
Net Debt			-18,676	
Equity Value (A)			7,39,390	1,321
Equity Value of IPS benefits (B)	11,500	8.0x	92,000	164
MDO Business				
EBITDA	34,460	10.0x	3,44,600	
Debt			49,700	
Equity Value			2,94,900	521
LMEL Stake			80%	
LMEL MDO Equity Value (C)			2,35,920	422
Target Price (A+B+C)				1,907

Source: DAM Capital Research

Key Management Personnel

Mr. Mukesh Gupta, Chairman and Promoter Director

He is a commerce graduate and has vast and proficient experience of over 44 years in project implementation, finance, marketing, and related areas. He has successfully led projects in Steel Sector, including power plant establishment and is a founder of Lloyds Group.

Mr Babulal Agarwal, Managing Director

He is a founder Board member of Lloyds Group, has rich experience of over 54 years in Steel Trading and Industry. He is associated with day-to-day affairs of the Company, and has expertise in legal, administration and management field.

Mr Rajesh Gupta, Non- Executive Promoter Director

He is a founder Board member of Lloyds Group and has vast knowledge and rich experience of over 35 years in Production, Management, Consultancy and other areas of the Steel, Power and Trading Industry. He has led LMEL and other Group companies in implementing several projects in the Steel sector.

Mr. Balasubramanian Prabhakaran, Non- Executive Promoter Director

He is the Managing Director of Thriveni Earthmovers Private Limited (Co-Promoter and MDO of the Company). Mr. Prabhakaran is a visionary leader with passion for technology, engineering and flawless execution. He has a unique way of integrating community with business, which is one of the core reasons for success in complex mining projects.

Mr Riyaz Shaikh, Chief Financial Officer

He has completed his MBA in Finance from Institute for Technology and Management, Mumbai. He is an achievement-oriented finance professional with more than 25 years of professional experience.

Income statement

Year to 31 Mar (Rs m)	FY23	FY24	FY25E	FY26E	FY27E
Net sales	33,923	65,217	81,081	1,80,541	2,12,727
% growth	386.4	92.2	24.3	122.7	17.8
Operating expenses	25,820	47,934	56,446	1,10,454	1,22,637
EBITDA	8,103	17,283	24,635	70,087	90,089
% change	456.8	113.3	42.5	184.5	28.5
Other income	745	529	1,000	7,500	12,500
Net interest cost	650	57	0	0	0
Depreciation	230	490	894	1,918	2,863
Pre-tax profit	7,967	17,265	24,741	75,669	99,726
Deferred tax	(1,091)	2,238	0	0	0
Current tax	0	2,598	6,927	21,187	27,923
Profit after tax	9,059	12,429	17,813	54,481	71,803
Preference dividend	0	0	0	0	0
Minorities	0	0	0	0	0
Adjusted net profit	9,059	12,429	17,813	54,481	71,803
Non-recurring items	(11,944)	0	0	0	0
Reported net profit	(2,885)	12,429	17,813	54,481	71,803
% change	0.0	(530.8)	43.3	205.8	31.8

Balance sheet

As on 31 Mar (Rs m)	FY23	FY24	FY25E	FY26E	FY27E
Paid-up capital	505	505	523	560	560
Preference capital	0	0	0	0	0
Reserves & surplus	14,785	27,603	67,109	1,39,252	2,11,055
Shareholders' equity	15,290	28,109	67,632	1,39,812	2,11,615
Total current liabilities	4,723	9,859	12,212	23,728	27,454
Total debt	0	0	0	0	0
Deferred tax liabilities	0	864	864	864	864
Other non-current liabilities	248	543	543	543	543
Total liabilities	4,971	11,267	13,619	25,135	28,861
Total equity & liabilities	20,261	39,375	81,251	1,64,947	2,40,476
Net fixed assets	7,796	24,249	59,134	1,27,216	1,94,353
Investments	0	0	0	0	0
Cash	2,645	2,871	8,280	18,676	25,118
Other current assets	6,575	8,403	9,985	15,202	17,153
Deferred tax assets	0	0	0	0	0
Other non-current assets	3,244	3,852	3,852	3,852	3,852
Net working capital	4,497	1,415	6,053	10,151	14,816
Total assets	20,260	39,375	81,251	1,64,947	2,40,476

Cash flow

Year to 31 Mar (Rs m)	FY23	FY24	FY25E	FY26E	FY27E
Pre-tax profit	7,967	17,265	24,741	75,669	99,726
Depreciation	230	490	894	1,918	2,863
Chg in Working capital	(163)	710	771	6,298	1,776
Total tax paid	1,091	(4,836)	(6,927)	(21,187)	(27,923)
Net Interest	650	57	0	0	0
Others	0	0	0	0	0
Operating cash flow	9,776	16,284	19,478	62,698	76,442
Capital expenditure	(3,177)	(16,943)	(35,780)	(70,000)	(70,000)
Free cash flow (a+b)	6,600	(659)	(16,301)	(7,302)	6,442
Chg in investments	1	0	0	0	0
Debt raised/(repaid)	(567)	0	0	0	0
Net interest	(650)	(57)	0	0	0
Capital raised/(repaid)	134	1	17	37	0
Dividend (incl. tax)	0	0	0	0	0
Other items	0	0	0	0	0
Net chg in cash	2,427	226	5,409	10,396	6,442

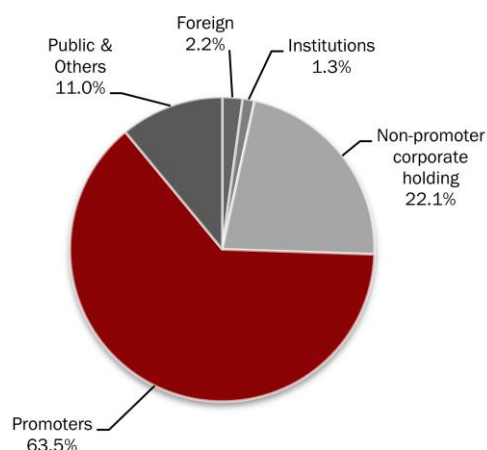
Key ratios

Year to 31 Mar	FY23	FY24	FY25E	FY26E	FY27E
EBITDA margin (%)	23.9	26.5	30.4	38.8	42.3
EBIT margin (%)	23.2	25.7	29.3	37.8	41.0
PAT margin (%)	26.7	19.1	22.0	30.2	33.8
RoE (%)	90.1	57.3	37.2	52.5	40.9
RoCE (%)	69.7	74.5	48.2	64.8	49.2
Gearing (x)	(0.2)	(0.1)	(0.1)	(0.1)	(0.1)
Net debt/ EBITDA (x)	(0.3)	(0.2)	(0.3)	(0.3)	(0.3)
FCF yield (%)	1.0	(0.1)	(2.1)	(0.9)	0.8
Dividend yield (%)	0.0	0.0	0.0	0.0	0.0

Valuations

Year to 31 Mar	FY23	FY24	FY25E	FY26E	FY27E
Reported EPS (Rs)	(6.5)	24.6	33.3	97.4	128.3
Adj. EPS (Rs)	20.5	24.6	33.3	97.4	128.3
PE (x)	13.9	24.5	43.2	14.7	11.2
Price/ Book (x)	8.2	10.8	11.4	5.7	3.8
EV/ Net sales (x)	3.6	4.6	9.4	4.3	3.7
EV/ EBITDA (x)	15.2	17.4	30.9	11.2	8.6
EV/ CE (x)	7.9	10.2	11.0	5.6	3.7

Shareholding pattern



As of Sep-24

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