

Lloyds Metals and Energy | BUY

Margin miss on lower scale; EC approval in 1Q

Lloyds Metals and Energy reported 4Q consol. EBITDA of INR2.6bn, sharply lower than JMFe of INR3.8bn primarily driven by lower scale of ops partially offset by higher realisation. Key takeaways from the call – a) EC approval status – final clearance to be received shortly (worst case to be May'25 end) – company expects ~24mn tons of iron ore production and 4mn tons of pellet production in FY26 b) Capex guidance for FY26 at INR60-65bn; to be primarily spent towards mining assets, pellet plant, beneficiation and other projects – mainly funded through internal accruals c) expansion projects remain on track (refer exhibit 2) – DRI plant and Pellet plant -1 to be commissioned by Jun'25 d) MDO business consolidation expected to be completed in 1QFY26 – subject to NCLT approvals e) company received IPS benefits of INR720mn in FY25 – past use inflows of ~INR350-400mn to come in FY26 f) realizations remained subdued in 4Q with iron ore realization at INR5,994/t – spot realization at ~INR6.1 - 6.2k/t g) INR50bn fund raise resolution is an enabling resolution – no decision on any fund raise or equity dilution yet. Most of the production in FY25 was front-ended in initial 9 months in anticipation of EC – hence less volume left for 4Q (lower scale of ops). During the quarter, company also incurred one-time expenses related to ESoP and CSR – leading to lower margins. Company continues to focus on cost optimisation across the value chain - announced acquisition of 79.82% stake in the MDO business of TEMPL in Dec'24 – expected to save costs to the tune of INR400-500/t. Volume-led growth pipeline, favourable duty structure and focus on value addition augurs well for the earnings trajectory. Maintain BUY.

- **Operating margins contract given lower volumes:** The Company registered consolidated revenue from operations of INR11.9bn (-23% YoY) primarily driven by lower volumes (-16% YoY) partially offset by higher realisation (+3% YoY). Most of the production in FY25 was front-ended in initial 9 months in anticipation of EC – hence less volume left for 4Q. The company reported EBITDA of INR2.6bn (down ~40% YoY) driven by lower scale of ops. Consequently, EBITDA/t witnessed a decline of INR662/t to INR1.6k/t. Adj. PAT came in at INR2bn, down 27%YoY. Company also declared a final dividend payment of INR1/sh for the year FY25 and also approved a fund raise of up to INR50bn in its board meeting (just an enabling resolution). NCLT approval process for consolidation of the MDO business is underway – expected to be completed in 1QFY26.
- **Focus on cost optimisation across the value chain:** Company announced acquisition of 79.82% stake in the MDO business of TEMPL in Dec'24 by subscribing to 700mn equity shares worth INR700mn in TEIL and will issue guarantee of up to INR25bn to the promoter shareholders of TEMPL. Post the acquisition the company is expected to save costs in its core iron ore mining operations to the tune of INR ~400/t-500/t and the margin profile is expected to improve significantly over the next few years aided by commissioning of downstream capacities and volume growth. Company also expects cost savings to the tune of ~INR500-600/t from the 85km slurry pipeline project.



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Recommendation and Price Target

Current Reco.	BUY
Previous Reco.	BUY
Current Price Target (12M)	1,610
Upside/(Downside)	33.8%
Previous Price Target	1,580
Change	1.9%

Key Data – LLOYDSME IN

Current Market Price	INR1,203
Market cap (bn)	INR629.6/US\$7.5
Free Float	23%
Shares in issue (mn)	523.2
Diluted share (mn)	523.2
3-mon avg daily val (mn)	INR657.3/US\$7.8
52-week range	1,478/592
Sensex/Nifty	80,242/24,334
INR/US\$	84.5

Price Performance

%	1M	6M	12M
Absolute	-6.5	23.7	62.1
Relative*	-10.8	22.9	50.7

* To the BSE Sensex

Financial Summary	(INR mn)				
Y/E March	FY23A	FY24A	FY25A	FY26E	FY27E
Net Sales	33,923	65,217	67,214	1,64,557	1,89,509
Sales Growth (%)	386.4	92.2	3.1	144.8	15.2
EBITDA	8,103	17,283	19,529	60,572	70,171
EBITDA Margin (%)	23.9	26.5	29.1	36.8	37.0
Adjusted Net Profit	9,059	12,429	14,499	49,912	61,268
Diluted EPS (INR)	17.9	24.6	27.7	89.1	109.4
Diluted EPS Growth (%)	347.1	37.1	12.7	221.5	22.8
ROIC (%)	99.2	63.2	31.8	44.3	31.5
ROE (%)	59.2	44.2	22.6	35.3	30.2
P/E (x)	67.0	48.9	43.4	13.5	11.0
P/B (x)	39.7	21.6	9.8	4.8	3.3
EV/EBITDA (x)	77.3	36.3	32.2	10.3	8.9
Dividend Yield (%)	0.0	0.0	0.0	0.0	0.0

Source: Company data, JM Financial. Note: Valuations as of 30/Apr/2025

JM Financial Research is also available on:
Bloomberg - JMFR <GO>,
Thomson Publisher & Reuters,
S&P Capital IQ, FactSet and Visible Alpha

Please see Appendix I at the end of this report for Important Disclosures and Disclaimers and Research Analyst Certification.

- **Integrated operations to drive performance; projects on track (refer exhibit 2):** LMEL is poised to continue its volume-led growth trajectory with environmental clearance (EC) now expected in 1QFY26 from an initial expectation of 4QFY25. This EC will boost company's mining capacity from 10 mtpa to 55 mtpa. Company is enhancing its presence across the ferrous value chain by setting up a 45mtpa beneficiation facility, a 12mtpa pellet plant (in phases), 85km and 190km slurry pipelines, a 1.2mtpa wire rod facility and a 3mtpa carbon steel facility under phases. The company's strong focus on enhancing value by integrating steel manufacturing operations is expected to aid margins. Most of the projects remain on track (refer exhibit 2) with 360ktpa DRI plant taking slightly longer time than company's earlier estimates.

Key Conference Call takeaways:

- Environmental Clearance (EC) to be received in 1QFY26 (May'25 in worst case) – most of the formalities done. Company expects ~24mn tons of iron ore production and 4mn tons of pellet production in FY26.
- NCLT approval process for consolidation of the MDO business is underway – expected to be completed in 1QFY26.
- Slurry pipeline (5mn tons out of 10mn tons) to be commissioned today.
- Capex guidance for FY26 stands at INR60-65bn – to be spent towards mining assets, pellet plant, beneficiation and other projects – to be mainly done through internal accruals.
- Margins were down during the quarter given one-time expenses related to CSR and ESoP disbursement.
- Projects timeline:
 - DRI Plant (1st plant): Jun'25
 - Pellet plant-1: Jun'25
 - Pellet plant -2: Jun'26
 - Steel plant (1.2mn tons): Sep'26
 - BHQ (1st train / 2nd train): Jun'27 / Mar'28
 - Steel plant (3mn tons): Mar'29 to Sep'29
- Most of the production in FY25 was front-ended in initial 9 months in anticipation of EC – hence less volume left for 4Q (lower scale of ops).
- Realizations remained subdued in 4Q with iron ore realization at INR5,994/t for 4Q – spot realizations in similar range of ~INR6.1k/t.
- The fund raise approval for INR50bn is just an enabling resolution – no decision towards equity dilution yet.
- Company received IPS benefits of INR720mn in FY25 – past use inflows of ~INR350-400mn to come in FY26

Exhibit 1. Consolidated – quarterly financial performance (INR mn)

Y/E March (INR mn)	4QFY25	4QFY25E	%Var	4QFY24	YoY %	3QFY25	QoQ %
Net Sales	11,933	13,799	-13.5	15,543	-23.2	16,752	-28.8
Sales Volume (mn tons)	1.7	2.0		2.0	-16.2	2.4	-30.8
Blended Realisation (Rs/ton)	7,189	6,831		7,850	-8.4	6,980	3.0
Manufacturing exp. (incl inventory)	1,535	3,244		3,212	-52.2	1,330	15.5
Manufacturing exp./t	925	1,606		1,622	-43.0	554	66.9
Gross profit	10,398	10,555	-1.5	12,331	-15.7	15,422	-32.6
Gross Profit/t	6,264	5,225		6,228		6,426	
Mining, Royalty & Freight Expenses	5,637	5,245		6,143	-8.2	8,524	-33.9
Royalty & cess/t	3,396	2,597		3,103		3,552	
Mining, Royalty & Freight Expenses % of sales	47.2	38.0		39.5		50.9	
Staff costs	540	400		295	83.1	408	32.3
Staff costs/t	325	198		149		170	
Other costs	1,610	1,100		1,309	23.0	1,125	43.0
Other costs/t	970	545	-43.8	661		469	
Total expenditure	9,322	9,989	-6.7	10,959	-14.9	11,388	-18.1
EBITDA	2,611	3,810	-31.5	4,584	-43.0	5,364	-51.3
EBITDA (%)	21.9	27.6		29.5		32.0	
EBITDA / ton	1,573	1,886		2,315		2,235	6.9
Other income	193	200		81	139.0	180	
Depreciation	223	230		165		221	-51.5
EBIT	2,580	3,780		4,500	-42.7	5,324	
Interest	134	85	-31.7	23		83	
PBT	2,446	3,695		4,476		5,241	
Tax	428	924		1,707		1,348	
Eff. Tax rate (%)	17	25		38.1		25.7	
XO items	0	0		0		0	
Reported PAT	2,019	0		2,769	-27.1	3,893	-48.1
Adj. PAT	2,019	2,771	-27.2	2,769	-27.1	3,893	-48.1
EPR (INR)	3.9	2,771	-27.2	5.3		7.4	

Source: Company, JM Financial

Exhibit 2. Project Timelines

(INR mn)

Projects	Konsari	Ghughus	Hedri/Mines	Total	Capacity	Project Completion dates (old)	Latest Timeline / Remarks
Pellet Plant 1	14,500	-	-	1,45,000	4mnt	FY25-26	Jun'25 (Project nearing completion)
Pellet Plant 2	20,950	-	-	2,09,500	4mnt	FY26-27	Jun'26 (Project in advanced stages - to be completed ahead of schedule)
Pellet Plant 3	-	17,000	-	1,70,000	4mnt	FY28-29	Construction to start in 4QFY26
Slurry Pipeline- 1	4,750	-	-	47,500	85kms	FY26-27	1QFY26 (Project to be commissioned today)
Slurry Pipeline- 2	-	5,500	-	55,000	190kms	FY28-29	Survey work completed; ROW approval in progress
Housing Colony	4,800	1,520	-	63,200			
Steel Plant (Bf-BoF)	1,60,000	-	-	16,00,000	3mnt	FY28-29	Mar'29 to Sep'29 (Construction to start in 1QFY27)
Beneficiation (15mnt x 3)	-	-	50,000	5,00,000	45mnt	FY28-29	Jun'27 / Mar'28 (1 st train / 2 nd train)
Mine Upgradation	-	-	8,000	80,000			
DRI	-	5,900	-	59,000	0.36mnt	FY26-27	Jun'25 (DRI plant at Ghughus is nearing completion - taking slightly longer than company's earlier estimates)
Power	-	5,750	-	57,500	125MW	FY26-27	
SMS	-	7,580	-	75,800	1mnt	FY27-28	
Coke Oven	-	5,000	-	50,000	0.4mnt	FY27-28	
BF	-	5,750	-	57,500	0.5mnt	FY27-28	
WRM	-	10,000	-	1,00,000	1.2mnt	FY27-28	
Total	20,50,000	6,40,000	5,80,000	3,27,00,000			

Source: Company, JM Financial

Exhibit 3. Key assumptions table

Key Assumptions	FY23	FY24	FY25E	FY26E	FY27E
Iron Ore (US\$/t)	118	120	105	105	105
USDINR	80.4	82.8	84.0	86.0	87.0

Production (mt)

Iron Ore	3.59	10.00	10.00	24.00	25.00
Sponge Iron	0.20	0.26	0.32	0.57	0.60
Pellets	-	-	-	4.00	4.80
Hot Metal	-	-	-	-	0.50
Wire Rod	-	-	-	-	0.60

External Sales (mt)

Iron Ore	5.30	9.70	10.00	19.60	19.63
Sponge Iron	0.09	0.12	0.20	0.26	0.32
Pellets	-	-	-	3.19	3.17
Hot Metal	-	-	-	-	0.13
Wire Rod	-	-	-	-	0.60

Financials (Rs mn)

EBITDA	8,103	17,283	19,529	60,572	70,171
EBITDA/t	1,472	1,735	1,892	2,593	2,945
Net Debt	(2,970)	(2,831)	(210)	(6,454)	(8,891)

Source: Company, JM Financial

Exhibit 4. Segmental breakup

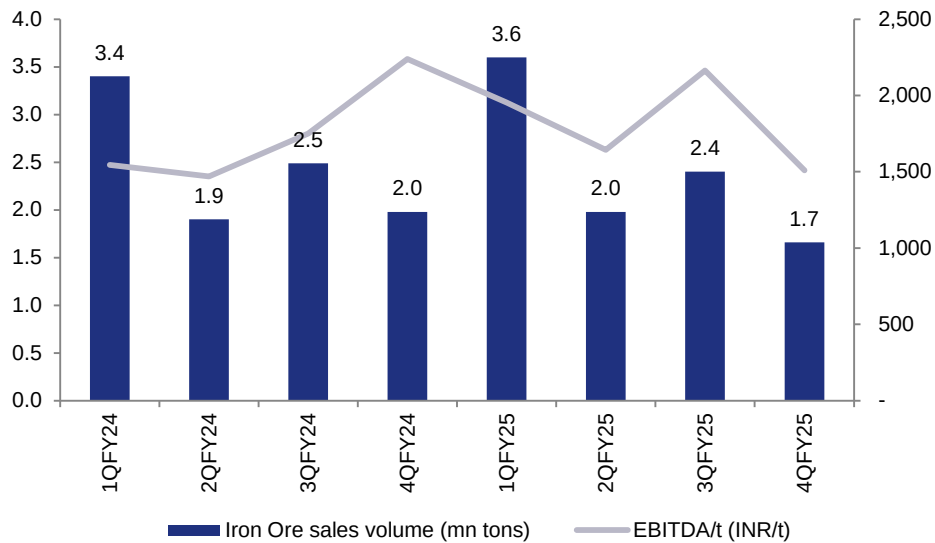
Y/E March (INR mn)	4QFY25	4QFY24	YoY	3QFY25	QoQ
Revenue					
- Mining	10,417	12,980	-19.7	14,746	-29.4
as a % of sales	87.3	84		88.0	
Mining volumes	1.7	2.0		2.4	
Mining realisation (INR/t)	6,275	6,556	-4.3	6,144	2.1
- Sponge Iron	2,017	2,002		1,818	
as a % of sales	16.9	13		10.8	
Sponge Iron volume	0.07	0.07		0.08	
Sponge Iron realisation (INR/t)	28,964	29,775	-2.7	23,301	24.3
- Power	187	271		248	
as a % of sales	1.6	2		1.5	
- Pellet trading	-28	789		544	
as a % of sales	(0.2)			3.2	
EBIT					
- Mining	2,537	4,202	-39.6	4,942	-48.7
Mining EBIT/t	1,529	2,122		2,059	
- Sponge Iron	17	163		331	
Sponge Iron EBIT/t	244	2,417	-89.9	4,242	-94.2
- Power	61	116		56	
- Pellet trading	-31	20.2		-3	
EBIT Margin (in %)					
- Mining	21.3	32.4		33.5	
- Sponge Iron	0.1	8.1		18.2	
- Power	0.5	42.8		22.6	
- Pellet trading	(0.3)	1,158		(0.6)	

Source: Company, JM Financial

Exhibit 5. Lloyds Metals and Energy: Target Price

FY27E EBITDA (INR bn)	70
IPS benefits	13
Multiple (x)	7
Net debt (INR bn)	-9
MDO Business	
EBITDA	34
Multiple (x)	7
Net Debt (INR bn)	50
Implied MCap (INR bn)	782
CWIP (INR bn)	122
Total Mcap (INR bn)	904
No. of shares (mn)	560
TP (INR/share)	1,610

Source: JM Financial

Exhibit 6. Iron Ore sales volume and EBITDA/t trend

Source: Company, JM Financial

Exhibit 7. Driving cost optimisation across the value chain**Acquisition of Thriveni MDO Operations(80%) in INR 700 mn**

- Per tonne savings on iron ore to the tune of **INR 400-500 on a consolidated basis**

Slurry Pipeline

- 85kms-10mnt- From Hedri to Konsari
- 195kms-5mnt-From Hedri to Ghughus

- Freight cost reduction of **INR 500-600** per tonne on 85kms slurry pipeline
- Freight cost reduction of **INR 800-1000** tonne on 195kms slurry pipeline

Captive Logistics

- Investment in a fleet of trucks to ensure captive logistics, which are currently third-party

- Internal; Freight to reduce by **INR 100-150 per tonne**

Investment in Renewable Energy

- to secure 100MW of power for captive consumption

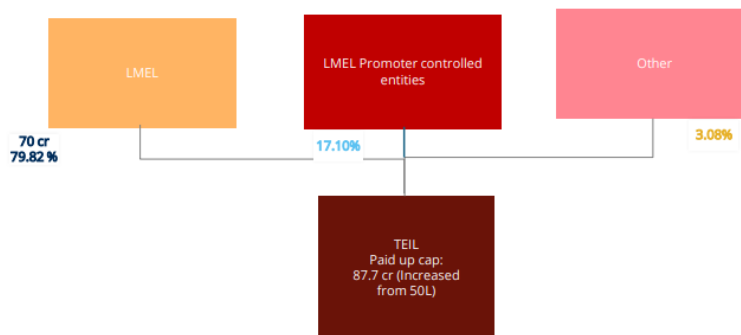
- Significant cost savings of up to **INR 100 crore** annually for the Mining & Pellet operations

Ensuring Raw Material Security through Access to Coking Coal Mines via MDO operations

- Savings of **INR 1800-2000 per tonne** in coal costs for 1.2mnt steel plant in Ghughus

Total savings of more than INR 20,000 cr (USD 2.4bn) over 10 years on a consolidated basis

Source: Company, JM Financial

Exhibit 8. MDO business acquisition**Investment of INR 70 cr in TEIL &****Guarantee of upto INR 2,500 cr of Principal Amount**

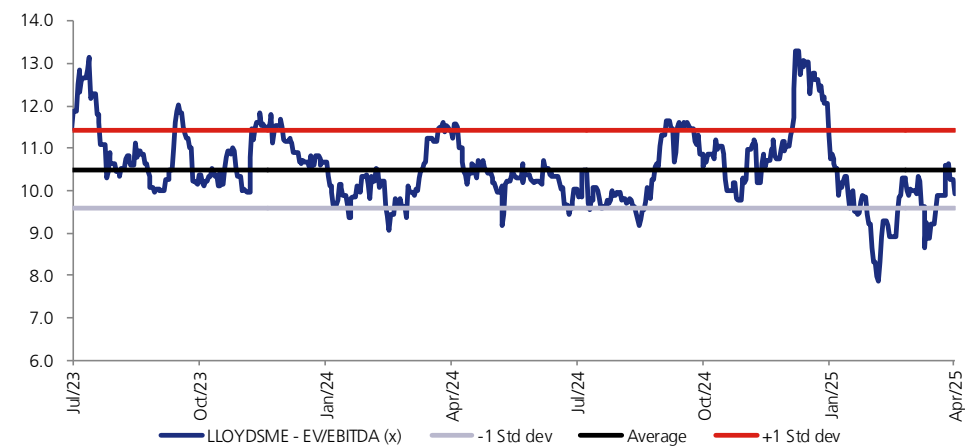
Source: Company, JM Financial

Exhibit 9. Change in estimates

	Unit	NEW		OLD		Change (%)	
		FY26E	FY27E	FY26E	FY27E	FY26E	FY27E
Net Sales	INR mn	1,68,234	1,90,522	1,63,606	1,88,558	-2.8%	-1.0%
EBITDA	INR mn	61,170	71,194	60,572	70,171	-1.0%	-1.4%
PAT	INR mn	48,375	59,658	49,901	61,242	3.2%	2.7%
EPS		86.4	107	89.1	109.3	3.1%	2.6%
Target Price	INR		1,580		1,610		1.9%
Rating			BUY		BUY		

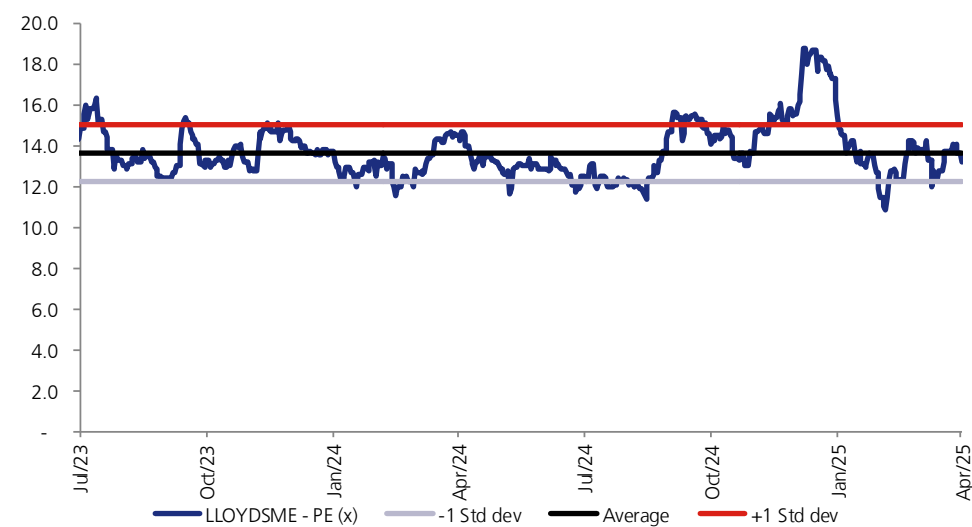
Source: JM Financial

Exhibit 10. LLOYDSME: 1yr forward EV/EBITDA valuation



Source: Bloomberg, JM Financial

Exhibit 11. LLOYDSME: 1yr forward PE valuation



Source: Bloomberg, JM Financial

Financial Tables (Consolidated)

Income Statement (INR mn)					
Y/E March	FY23A	FY24A	FY25A	FY26E	FY27E
Net Sales	33,923	65,217	67,214	1,64,557	1,89,509
Sales Growth	386.4%	92.2%	3.1%	144.8%	15.2%
Other Operating Income	0	0	0	0	0
Total Revenue	33,923	65,217	67,214	1,64,557	1,89,509
Cost of Goods Sold/Op. Exp	5,401	8,920	0	10,966	11,487
Personnel Cost	543	1,178	1,633	1,298	1,363
Other Expenses	19,876	37,837	46,052	91,720	1,06,488
EBITDA	8,103	17,283	19,529	60,572	70,171
EBITDA Margin	23.9%	26.5%	29.1%	36.8%	37.0%
EBITDA Growth	456.8%	113.3%	13.0%	210.2%	15.8%
Depn. & Amort.	230	490	808	-1,037	-1,963
EBIT	7,873	16,793	18,721	61,610	72,134
Other Income	745	529	512	7,712	12,960
Finance Cost	650	57	272	0	0
PBT before Excep. & Forex	7,967	17,265	18,961	69,322	85,094
Excep. & Forex Inc./Loss(-)	0	0	0	0	0
PBT	7,967	17,265	18,961	69,322	85,094
Taxes	-1,091	4,836	4,462	19,410	23,826
Extraordinary Inc./Loss(-)	-11,944	0	0	0	0
Assoc. Profit/Min. Int.(-)	0	0	0	0	0
Reported Net Profit	-2,885	12,429	14,499	49,912	61,268
Adjusted Net Profit	9,059	12,429	14,499	49,912	61,268
Net Margin	26.7%	19.1%	21.6%	30.3%	32.3%
Diluted Share Cap. (mn)	504.8	505.3	523.2	560.2	560.2
Diluted EPS (INR)	17.9	24.6	27.7	89.1	109.4
Diluted EPS Growth	347.1%	37.1%	12.7%	221.5%	22.8%
Total Dividend + Tax	0	0	0	0	0
Dividend Per Share (INR)	0.0	0.0	0.0	0.0	0.0

Source: Company, JM Financial

Cash Flow Statement (INR mn)					
Y/E March	FY23A	FY24A	FY25A	FY26E	FY27E
Profit before Tax	7,967	17,265	18,961	69,322	85,094
Depn. & Amort.	230	490	808	-1,037	-1,963
Net Interest Exp. / Inc. (-)	0	0	0	0	0
Inc (-) / Dec in WCap.	-2,538	2,140	-5,521	-5,011	13,132
Others	-11,944	0	0	0	0
Taxes Paid	1,091	-4,836	-4,462	-19,410	-23,826
Operating Cash Flow	-5,193	15,059	9,786	43,864	72,437
Capex	-3,869	-16,464	-33,715	-65,000	-70,000
Free Cash Flow	-9,061	-1,405	-23,929	-21,136	2,437
Inc (-) / Dec in Investments	-366	78	-460	0	0
Others	311	1,265	-455	0	0
Investing Cash Flow	-3,924	-15,121	-34,630	-65,000	-70,000
Inc / Dec (-) in Capital	13,059	1	21,763	27,380	0
Dividend + Tax thereon	-222	0	0	0	0
Inc / Dec (-) in Loans	-722	288	7,602	0	0
Others	-571	0	0	0	0
Financing Cash Flow	11,543	288	29,365	27,380	0
Inc / Dec (-) in Cash	2,427	226	4,521	6,244	2,437
Opening Cash Balance	219	2,645	2,871	7,393	13,637
Closing Cash Balance	2,645	2,871	7,393	13,637	16,073

Source: Company, JM Financial; Note: MDO business not consolidated

Balance Sheet (INR mn)					
Y/E March	FY23A	FY24A	FY25A	FY26E	FY27E
Shareholders' Fund	15,290	28,109	64,021	1,41,313	2,02,581
Share Capital	505	505	523	560	560
Reserves & Surplus	14,785	27,603	63,498	1,40,753	2,02,021
Preference Share Capital	0	0	0	0	0
Minority Interest	0	0	0	0	0
Total Loans	44	331	7,933	7,933	7,933
Def. Tax Liab. / Assets (-)	-1,374	864	759	759	759
Total - Equity & Liab.	13,959	29,304	72,714	1,50,006	2,11,273
Net Fixed Assets	8,302	25,029	57,936	1,23,973	1,95,936
Gross Fixed Assets	9,172	16,685	21,271	57,021	78,021
Intangible Assets	0	0	0	0	0
Less: Depn. & Amort.	3,848	4,338	5,146	4,108	2,146
Capital WIP	2,979	12,682	41,811	71,061	1,20,061
Investments	368	291	751	751	751
Current Assets	10,216	14,056	35,480	50,840	46,552
Inventories	2,698	2,311	4,318	10,758	10,332
Sundry Debtors	245	799	1,714	4,034	4,649
Cash & Bank Balances	2,645	2,871	7,393	13,637	16,073
Loans & Advances	4,628	8,075	22,056	22,412	15,498
Other Current Assets	0	0	0	0	0
Current Liab. & Prov.	4,927	10,071	21,453	25,558	31,966
Current Liabilities	745	3,951	377	4,482	8,782
Provisions & Others	4,182	6,121	21,076	21,076	23,184
Net Current Assets	5,289	3,984	14,027	25,282	14,586
Total - Assets	13,959	29,304	72,714	1,50,006	2,11,273

Source: Company, JM Financial

Dupont Analysis					
Y/E March	FY23A	FY24A	FY25A	FY26E	FY27E
Net Margin	26.7%	19.1%	21.6%	30.3%	32.3%
Asset Turnover (x)	3.5	3.0	1.3	1.5	1.0
Leverage Factor (x)	1.0	1.0	1.1	1.1	1.1
RoE	90.1%	57.3%	31.5%	48.6%	35.6%

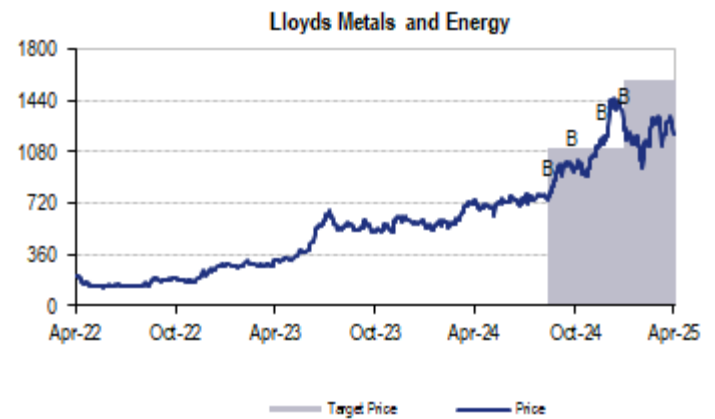
Key Ratios					
Y/E March	FY23A	FY24A	FY25A	FY26E	FY27E
BV/Share (INR)	30.3	55.6	122.4	252.3	361.6
ROIC	99.2%	63.2%	31.8%	44.3%	31.5%
ROE	59.2%	44.2%	22.6%	35.3%	30.2%
Net Debt/Equity (x)	-0.2	-0.1	0.0	0.0	0.0
P/E (x)	67.0	48.9	43.4	13.5	11.0
P/B (x)	39.7	21.6	9.8	4.8	3.3
EV/EBITDA (x)	77.3	36.3	32.2	10.3	8.9
EV/Sales (x)	18.5	9.6	9.4	3.8	3.3
Debtor days	3	4	9	9	9
Inventory days	29	13	23	24	20
Creditor days	11	30	3	16	27

Source: Company, JM Financial

History of Earnings Estimate and Target Price

Date	Recommendation	Target Price	% Chg.
12-Sep-24	Buy	1,100	
25-Oct-24	Buy	1,100	0.0
19-Dec-24	Buy	1,100	0.0
29-Jan-25	Buy	1,580	43.7

Recommendation History



APPENDIX I

JM Financial Institutional Securities Limited

Corporate Identity Number: U67100MH2017PLC296081

Member of BSE Ltd. and National Stock Exchange of India Ltd.

SEBI Registration Nos.: Stock Broker - INZ000163434, Research Analyst - INH000000610

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Definition of ratings	
Rating	Meaning
Buy	Total expected returns of more than 10% for stocks with market capitalisation in excess of INR 200 billion and REITs* and more than 15% for all other stocks, over the next twelve months. Total expected return includes dividend yields.
Hold	Price expected to move in the range of 10% downside to 10% upside from the current market price for stocks with market capitalisation in excess of INR 200 billion and REITs* and in the range of 10% downside to 15% upside from the current market price for all other stocks, over the next twelve months.
Sell	Price expected to move downwards by more than 10% from the current market price over the next twelve months.

* REITs refers to Real Estate Investment Trusts.

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