

Lloyds Metals and Energy | BUY

EC in place; volume growth to drive earnings

Lloyds Metals and Energy reported 1Q consol. EBITDA of INR7.9bn, marginally above JMFe of INR7.6bn. Key takeaways from the call – a) LMEL received Environmental Clearance (EC) for mining expansion to 26mn tons from 10mn tons currently b) production guidance for FY26 – iron ore / pellet at 22mn tons / 2.8-3mn tons respectively c) annual capex spend is expected to be INR75-80bn over the next 2-3 years d) company witnessed realization to be higher by INR200-300/t so far in 2Q e) during the quarter company announced 2 strategic equity investments in MRPL (19.4%) and BRPL (49.9%) to strengthen its market position in the pellet segment which is expected to bring 6mn tons of incremental pellet capacity f) consolidation of the MDO business will happen 2QFY26 onwards. g) major projects remain on track with some being ahead of schedule. Company continues to focus on cost optimisation across the value chain - 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. We roll-forward our target price to FY28 at an EV/EBITDA multiple of 6.5x. Maintain BUY.

- **Operating margins improve given higher realisation and lower costs:** The Company registered consolidated revenue from operations of INR23.8bn (-1% YoY) given lower volumes (-4% YoY) partially offset by higher realisation (+3 % YoY). Sales volume for the quarter came in at 3.5mn tons compared to 3.6mn tons in 1QFY25. The company reported EBITDA of INR7.9bn (up ~11% YoY) driven by higher realisation and lower costs. Consequently, EBITDA/t improved by INR306/t to INR2.3k/t compared to INR1.9k/t in 1QFY25. Adj. PAT came in at INR6.4bn, up 15%YoY.
- **Focus on cost optimisation across the value chain:** Company acquired 79.82% stake in the MDO business of TEMPL in Dec'24 by subscribing to 700mn equity shares worth INR700mn in TEIL. Post the acquisition of this business 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. The consolidation of the MDO business financials is expected to happen from 2QFY26 onwards.
- **Integrated operations to drive performance; projects on track (refer exhibit 2):** The company incurred capex of INR13.2bn in 1Q and guided for an annual capex spend of INR75-80bn over the next 2-3 years. LMEL during the quarter received Environmental Clearance (EC) for mining expansion to 26mn tons from 10mn tons currently. Production guidance for FY26 – Iron ore at 22mn tons / Pellet at 2.8mn-3mn tons respectively. The iron ore production in 1Q stood at 4mn tons. During the quarter the company announced 2 strategic equity investments in MRPL (19.4%) and BRPL (49.9%) to strengthen its market position in the pellet segment which is expected to bring 6mn tons of incremental pellet capacity. Major projects remain on track with some being ahead of schedule. The 4mtpa pellet plant commenced operations in 1Q and pellet plant 2 remain on track.



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Recommendation and Price Target

Current Reco.	BUY
Previous Reco.	BUY
Current Price Target (12M)	1,680
Upside/(Downside)	21.7%
Previous Price Target	1,610
Change	4.4%

Key Data – LLOYDSME IN

Current Market Price	INR1,381
Market cap (bn)	INR722.6/US\$8.2
Free Float	25%
Shares in issue (mn)	523.2
Diluted share (mn)	560.2
3-mon avg daily val (mn)	INR741.7/US\$8.5
52-week range	1,613/726
Sensex/Nifty	80,236/24,487
INR/US\$	87.7

Price Performance

%	1M	6M	12M
Absolute	-7.3	16.9	81.8
Relative*	-4.6	10.9	78.9

* To the BSE Sensex

Financial Summary	(INR mn)				
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Net Sales	65,217	67,214	1,57,813	1,94,055	2,01,487
Sales Growth (%)	92.2	3.1	134.8	23.0	3.8
EBITDA	17,283	19,529	57,842	70,668	77,028
EBITDA Margin (%)	26.5	29.1	36.7	36.4	38.2
Adjusted Net Profit	12,429	14,499	48,496	62,036	70,200
Diluted EPS (INR)	24.6	27.7	86.6	110.7	125.3
Diluted EPS Growth (%)	37.1	12.7	212.4	27.9	13.2
ROIC (%)	63.2	31.8	42.4	31.1	24.5
ROE (%)	44.2	22.6	34.7	30.7	25.8
P/E (x)	56.1	49.8	16.0	12.5	11.0
P/B (x)	24.8	11.3	5.5	3.8	2.8
EV/EBITDA (x)	41.6	37.0	12.4	10.2	9.3
Dividend Yield (%)	0.0	0.0	0.0	0.0	0.0

Source: Company data, JM Financial. Note: Valuations as of 12/Aug/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.

■ Key Conference Call takeaways:

- Company received Environmental Clearance (EC) for 60mn tons mining. Company has guided 22mn tons of iron ore production in FY26. With 4mn tons produced in 1QFY26, company plans to achieve its guidance through:
 - 2QFY26 iron ore production guidance at 4mn tons
 - Remaining 14mn tons to be evacuated in 2HFY26 – 2.5mn tons through pipeline and 11.5mn tons through trucks (averaging ~40-45k tons per day – remains confident of achieving this number).
- FY26 guidance for pellet production and DRI production stands at 2.8-3mn tons and 5-6mn tons respectively.
- FY27 production guidance:
 - Iron ore: 25-26mn tons
 - Pellet: 5-6mn tons
 - DRI: 700kt
 - Steel (WRM): 0.3-0.5mn tons
- Company has witnessed realization to be higher by ~INR200-300/t in 2QFY26 so far – undertook a price hike in 2Q.
- Capex guidance stands at ~INR75-80bn per year over the next 2-3 years.
- Company witnessed margin pressure in DRI segment in 1Q given muted realisations and higher costs.
- Projects timeline:
 - DRI Plant (Ghughus): Nearing completion
 - Pellet plant-1: Commissioned
 - Pellet plant -2: in advanced stages; to be completed ahead of schedule
 - Steel plant (1.2mn tons): in advanced stages; to be completed ahead of schedule
 - BHQ (1st train): end of FY27
 - Steel plant (3mn tons): Mar'29 to Sep'29
- Thriveni MDO business financials to be consolidated 2QFY26 onwards.

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

Y/E March (INR mn)	1QFY26	1QFY26E	%Var	1QFY25	YoY %	4QFY25	QoQ %
Net Sales	23,835	28,912	-17.6	24,172	-1.4	11,933	99.7
Sales Volume (mn tons)	3.5	4.0		3.6	-4.2	1.7	107.8
Blended Realisation (Rs/ton)	6,909	7,228		6,715	2.9	7,189	-3.9
Manufacturing exp. (incl inventory)	1,938	2,433		2,433	-20.3	1,535	26.2
Manufacturing exp./t	562	608		676	-16.9	925	-39.3
Gross profit	21,897	26,479	-17.3	21,740	0.7	10,398	110.6
Gross Profit/t	6,347	6,620		6,039		6,264	
Mining, Royalty & Freight Expenses	12,092	14,961		12,755	-5.2	5,637	114.5
Royalty & cess/t	3,505	3,740		3,543		3,396	
Mining, Royalty & Freight Expenses % of sales	50.7	51.7		52.8		47.2	
Staff costs	638	489		338	88.9	540	18.1
Staff costs/t	185	122		94		325	
Other costs	1,225	3,467		1,460	-16.1	1,610	-23.9
Other costs/t	355	867	144.1	406		970	
Total expenditure	15,893	21,350	-25.6	16,986	-6.4	9,322	70.5
EBITDA	7,942	7,563	5.0	7,187	10.5	2,611	204.2
EBITDA (%)	33.3	26.2		29.7		21.9	
EBITDA / ton	2,302	1,891		1,996	15.3	1,573	46.4
Other income	282	200		58	384.4	193	46.4
Depreciation	307	230		187		223	
EBIT	7,917	7,533	5.1	7,058	12.2	2,580	206.8
Interest	146	140		19		134	
PBT	7,770	7,393		7,039		2,446	
Tax	1,354	1,848		1,465		428	
Eff. Tax rate (%)	17	25		20.8		17.5	
XO items	0	0		0		0	
Reported PAT	6,416	5,544	15.7	5,574	15.1	2,019	217.9
Adj. PAT	6,416	5,544	15.7	5,574	15.1	2,019	217.9
EPR (INR)	12.3	10.6		10.7		3.9	

Source: Company, JM Financial

Exhibit 2. Project Timelines

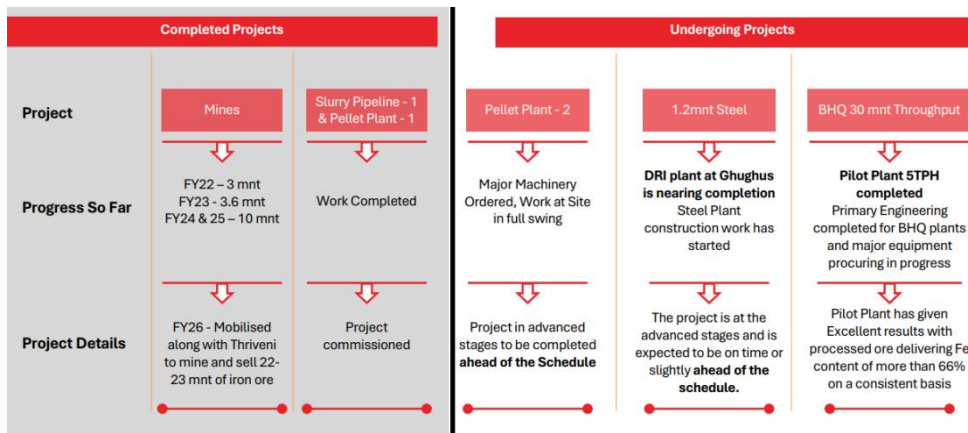


Exhibit 3. Key assumptions table

Key Assumptions	FY24	FY25	FY26E	FY27E	FY28E
Iron Ore (US\$/t)	120	109	105	105	105
USDINR	82.8	84.5	86.0	87.0	87.0
Production (mt)					
Iron Ore	10.00	10.00	22.00	25.00	25.00
Sponge Iron	0.26	0.31	0.55	0.60	0.62
Pellets	-	-	3.00	5.20	5.60
Hot Metal	-	-	-	0.50	0.55
Wire Rod	-	-	-	0.60	0.72
External Sales (mt)					
Iron Ore	9.70	9.46	18.70	19.19	18.75
Sponge Iron	0.12	0.20	0.26	0.31	0.55
Pellets	-	-	2.22	3.57	3.88
Hot Metal	-	-	-	0.13	0.09
Wire Rod	-	-	-	0.60	0.72
Financials (Rs mn)					
EBITDA	17,283	19,529	57,842	70,668	77,028
EBITDA/t	1,735	1,999	2,694	2,971	3,252
Net Debt	(2,831)	(210)	(3,694)	(3,170)	(6,629)

Source: Company, JM Financial

Exhibit 4. Segmental breakup

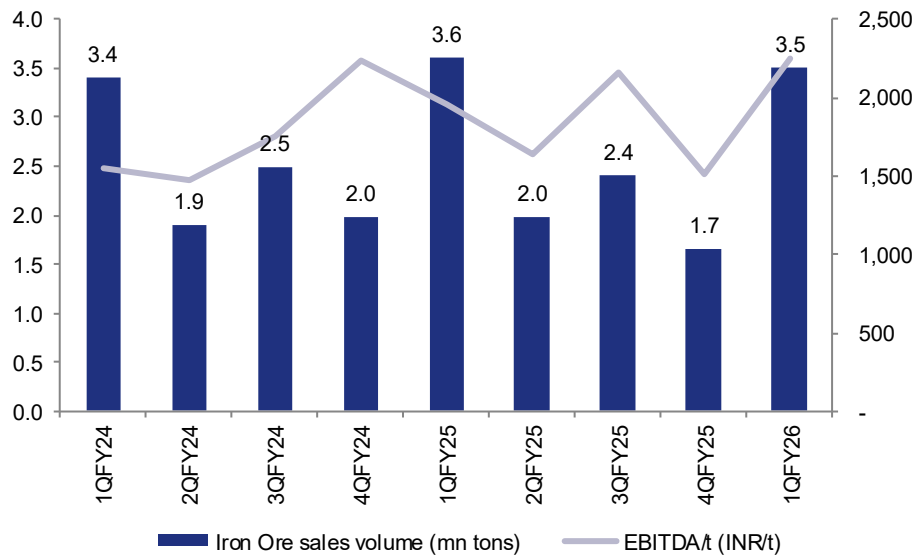
Y/E March (INR mn)	1QFY26	1QFY25	YoY	4QFY25	QoQ
Revenue					
- Mining	21,604	19,855	8.8	10,417	107.4
as a % of sales	90.6	82		87.3	
Mining volumes	3.5	3.6		1.7	
Mining realisation (INR/t)	6,262	5,515	13.5	6,275	-0.2
- Steel and other related segments	3,193	4,900		2,175	
as a % of sales	13.4	20		18.2	
EBIT					
- Mining	7,602	6,258	21.5	2,537	199.6
Mining EBIT/t	2,204	1,738		1,529	
- Steel and other related segments	206	800		47	
EBIT Margin (in %)					
- Mining	31.9	31.5		24.4	
- Steel and other related segments	0.9	16.3		2.1	

Source: Company, JM Financial

Exhibit 5. Lloyds Metals and Energy: Target Price

FY28E EBITDA (INR bn)	77
IPS benefits	21
Multiple (x)	6.5
Net debt (INR bn)	-7
MDO Business	
EBITDA	34
Multiple (x)	7
Net Debt (INR bn)	50
Implied MCap (INR bn)	832
CWIP (INR bn)	109
Total Mcap (INR bn)	941
No. of shares (mn)	560
TP (INR/share)	1,680

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 700mn****Slurry Pipeline**

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

Captive Logistics

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

Investment in Renewable Energy

- to secure 100MW of power for captive consumption

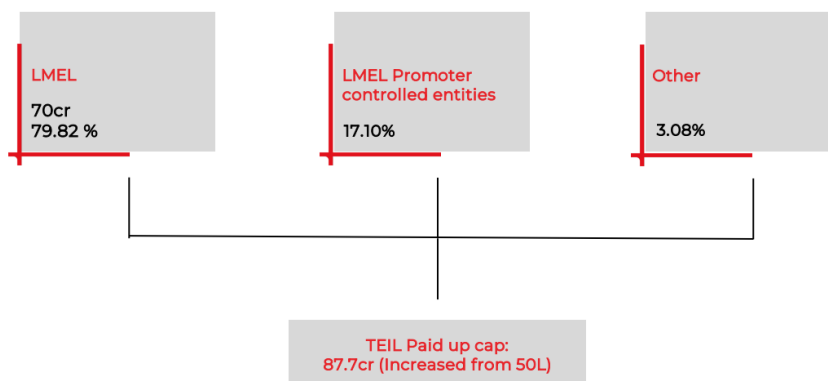
- Per tonne savings on iron ore to the tune of INR 400-500 on a consolidated basis
- Freight cost reduction of INR 500-600 per tonne on 85kms slurry pipeline
- Freight cost reduction of INR 800-1000 tonne on 195kms slurry pipeline
- Internal; Freight to reduce by INR 100-150 per tonne
- Significant cost savings of up to INR 100 crore annually for the Mining & Pellet operations

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 70cr in TEIL &
Guarantee of up to INR 2,500cr of Principal Amount



Source: Company

Exhibit 9. Change in estimates

	Unit	OLD			NEW			% Change		
		FY26E	FY27E	FY28E	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E
Net Sales	INR mn	1,64,557	1,89,509	-	1,56,862	1,93,104	2,00,536	-4.7%	1.9%	0.0%
EBITDA	INR mn	60,572	70,171	-	57,842	70,668	77,028	-4.5%	0.7%	0.0%
PAT	INR mn	49,912	61,268	-	48,496	62,036	70,200	-2.8%	1.3%	0.0%
EPS		89.1	109.4	-	86.6	110.7	125.3	-2.8%	1.2%	0.0%
Target Price	INR		1,610				1,680			4.4%
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	FY24A	FY25A	FY26E	FY27E	FY28E
Net Sales	65,217	67,214	1,57,813	1,94,055	2,01,487
Sales Growth	92.2%	3.1%	134.8%	23.0%	3.8%
Other Operating Income	0	0	0	0	0
Total Revenue	65,217	67,214	1,57,813	1,94,055	2,01,487
Cost of Goods Sold/Op. Exp	8,920	8,061	11,217	12,252	11,662
Personnel Cost	1,178	1,633	1,796	1,976	2,173
Other Expenses	37,837	37,992	86,958	1,09,159	1,10,624
EBITDA	17,283	19,529	57,842	70,668	77,028
EBITDA Margin	26.5%	29.1%	36.7%	36.4%	38.2%
EBITDA Growth	113.3%	13.0%	196.2%	22.2%	9.0%
Depn. & Amort.	490	808	824	841	857
EBIT	16,793	18,721	57,018	69,827	76,171
Other Income	529	512	7,643	12,887	17,430
Finance Cost	57	272	0	0	0
PBT before Excep. & Forex	17,265	18,961	64,661	82,714	93,601
Excep. & Forex Inc./Loss(-)	0	0	0	0	0
PBT	17,265	18,961	64,661	82,714	93,601
Taxes	4,836	4,462	16,165	20,679	23,400
Extraordinary Inc./Loss(-)	0	0	0	0	0
Assoc. Profit/Min. Int.(-)	0	0	0	0	0
Reported Net Profit	12,429	14,499	48,496	62,036	70,200
Adjusted Net Profit	12,429	14,499	48,496	62,036	70,200
Net Margin	19.1%	21.6%	30.7%	32.0%	34.8%
Diluted Share Cap. (mn)	505.3	523.2	560.2	560.2	560.2
Diluted EPS (INR)	24.6	27.7	86.6	110.7	125.3
Diluted EPS Growth	37.1%	12.7%	212.4%	27.9%	13.2%
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	FY24A	FY25A	FY26E	FY27E	FY28E
Profit before Tax	17,265	18,961	64,661	82,714	93,601
Depn. & Amort.	490	808	824	841	857
Net Interest Exp. / Inc. (-)	0	0	0	0	0
Inc (-) / Dec in WCap.	2,140	-5,519	-3,216	6,600	2,401
Others	0	0	0	0	0
Taxes Paid	-4,836	-4,462	-16,165	-20,679	-23,400
Operating Cash Flow	15,059	9,788	46,104	69,476	73,459
Capex	-16,464	-33,715	-70,000	-70,000	-70,000
Free Cash Flow	-1,405	-23,927	-23,896	-524	3,459
Inc (-) / Dec in Investments	78	-460	0	0	0
Others	1,265	-457	0	0	0
Investing Cash Flow	-15,121	-34,632	-70,000	-70,000	-70,000
Inc / Dec (-) in Capital	1	21,763	27,380	0	0
Dividend + Tax thereon	0	0	0	0	0
Inc / Dec (-) in Loans	288	7,602	0	0	0
Others	0	0	0	0	0
Financing Cash Flow	288	29,365	27,380	0	0
Inc / Dec (-) in Cash	226	4,521	3,484	-524	3,459
Opening Cash Balance	2,645	2,871	7,393	10,876	10,352
Closing Cash Balance	2,871	7,393	10,876	10,352	13,811

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

Balance Sheet					(INR mn)
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Shareholders' Fund	28,109	64,021	1,39,897	2,01,932	2,72,133
Share Capital	505	523	560	560	560
Reserves & Surplus	27,603	63,498	1,39,337	2,01,372	2,71,573
Preference Share Capital	0	0	0	0	0
Minority Interest	0	0	0	0	0
Total Loans	331	7,933	7,933	7,933	7,933
Def. Tax Liab. / Assets (-)	864	757	757	757	757
Total - Equity & Liab.	29,304	72,712	1,48,587	2,10,623	2,80,823
Net Fixed Assets	25,029	57,936	1,27,112	1,96,271	2,65,414
Gross Fixed Assets	16,685	21,271	59,771	98,271	1,36,771
Intangible Assets	0	0	0	0	0
Less: Depn. & Amort.	4,338	5,146	5,970	6,811	7,668
Capital WIP	12,682	41,811	73,311	1,04,811	1,36,311
Investments	291	751	751	751	751
Current Assets	14,056	35,482	46,117	44,212	48,974
Inventories	2,311	4,318	10,314	9,523	9,889
Sundry Debtors	799	1,714	3,438	3,174	3,296
Cash & Bank Balances	2,871	7,393	10,876	10,352	13,811
Loans & Advances	8,075	22,058	21,488	21,162	21,977
Other Current Assets	0	0	0	0	0
Current Liab. & Prov.	10,071	21,457	25,392	30,611	34,315
Current Liabilities	3,951	363	4,298	7,407	8,791
Provisions & Others	6,121	21,095	21,095	23,204	25,524
Net Current Assets	3,984	14,025	20,725	13,601	14,659
Total - Assets	29,304	72,712	1,48,587	2,10,623	2,80,823

Source: Company, JM Financial

Dupont Analysis					
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Net Margin	19.1%	21.6%	30.7%	32.0%	34.8%
Asset Turnover (x)	3.0	1.3	1.4	1.1	0.8
Leverage Factor (x)	1.0	1.1	1.1	1.1	1.0
RoE	57.3%	31.5%	47.6%	36.3%	29.6%

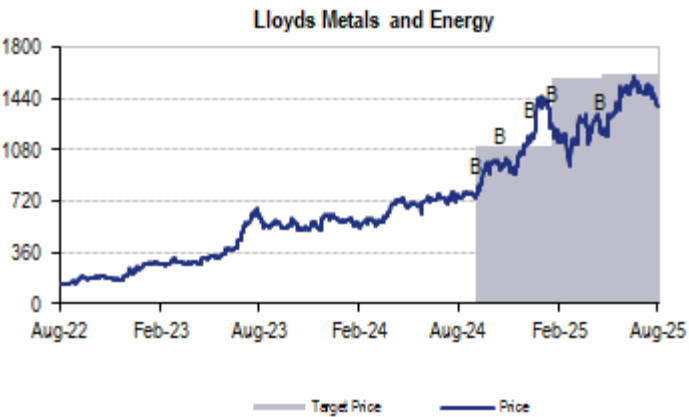
Key Ratios					
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
BV/Share (INR)	55.6	122.4	249.7	360.5	485.8
ROIC	63.2%	31.8%	42.4%	31.1%	24.5%
ROE	44.2%	22.6%	34.7%	30.7%	25.8%
Net Debt/Equity (x)	-0.1	0.0	0.0	0.0	0.0
P/E (x)	56.1	49.8	16.0	12.5	11.0
P/B (x)	24.8	11.3	5.5	3.8	2.8
EV/EBITDA (x)	41.6	37.0	12.4	10.2	9.3
EV/Sales (x)	11.0	10.8	4.6	3.7	3.6
Debtor days	4	9	8	6	6
Inventory days	13	23	24	18	18
Creditor days	30	3	16	22	26

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
30-Apr-25	Buy	1,610	1.9

Recommendation History



APPENDIX I

JM Financial Institutional Securities Limited

Corporate Identity Number: U67100MH2017PLC296081

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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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