

# Financial Analysis of NMDC Limited: A Three-Year Review (2020-2023)

Mr. Satyam Ghomal<sup>1</sup>, Ved Deshmukh<sup>2</sup>, Mr. Sharad Kadam<sup>3</sup>

Student, Third Year BBA<sup>1,2</sup>

Assistant Professor (Project Guide), BBA and BBA (IB) Department<sup>3</sup>

MAEER'S MIT Arts, Commerce, and Science College, Alandi, Pune, Maharashtra

**Abstract:** *This study examines NMDC Limited, a significant player in India's mineral business, spanning a three-year period from 2020–2021 to 2022–2023 in great detail. By studying several financial measures, the main goals of this research are to assess and contrast the profitability trends and financial performance of the organisation. Sales, operational profit margin, gross profit margin, net profit margin, return on long-term funds, and net operating profit per share are some of the important financial indicators that are examined in the study.*

**Keywords:** NMDC Limited

## I. INTRODUCTION

NMDC Limited, formerly National Mineral Development Corporation, is an Indian public sector undertaking involved in the exploration of iron ore, copper, rock phosphate, limestone, dolomite, gypsum, bentonite, magnesite, diamond, tin, tungsten, graphite, coal etc. It is India's largest iron ore producer and exporter, producing more than 35 million tonnes of iron ore from three mechanized mines in Chhattisgarh and Karnataka. It also operates the only mechanized diamond mine in the country at Panna in Madhya Pradesh.

An Indian public sector company called NMDC Limited, formerly known as the National Mineral Development Corporation Limited, specialises in the exploration and production of a variety of minerals, including iron ore, copper, limestone, dolomite, and diamonds. One of India's biggest mining firms, NMDC is essential to the country's mineral resource industry. On November 15, 1958, NMDC was founded by the Indian government's Ministry of Steel. It was initially established to investigate, develop, and utilise India's mineral resources, particularly the country's central and southern iron ore deposits. Hyderabad, Telangana, India serves as the company's headquarters. The main activities of NMDC are the production and mining of different minerals

Its most important business is iron ore mining, and it has mines in the states of Chhattisgarh and Karnataka. Additionally, it runs the sole diamond mine in India, which is situated in Madhya Pradesh's Panna district. It is dedicated to using ethical and sustainable mining techniques. In the regions where it operates, it actively participates in numerous CSR programmes, such as community development, healthcare, education, and environmental conservation. NMDC has grown its business over time and diversified its mineral holdings. To improve its mining skills, it has also entered into a number of joint partnerships and alliances. By providing vital minerals for the steel industry and other industries, NMDC has continually been a profitable business and made a substantial contribution to India's economic progress. The Government of India owns the majority of the stock in the government-owned corporation NMDC. It is traded on the Indian stock exchanges, and some of its shares can be bought and sold by the general public. To reduce the environmental impact of its mining operations, It is strongly emphasises sustainable mining practises, environmental protection, and safety precautions.

By providing a steady supply of necessary minerals to diverse businesses, NMDC Limited, a significant player in India's mining and mineral industry, continues to support the country's economic growth.

## II. COMPANY BACKGROUND

The single largest producer of iron ore in India is National Mineral Development Corporation (NMDC), a Navratna Public Sector Enterprise under the Ministry of Steel, Government of India. The company has its registered office in

Hyderabad, Telangana, and owns and runs highly automated iron ore mines in Chhattisgarh and Karnataka. One of the most affordable iron ore producers in the world is NMDC. In Panna, Madhya Pradesh, it also runs the only mechanised diamond mine in the country.

The Company's two main iron producing units, Donimalai in the Bellary-Hospet region of Karnataka and Bailadila Sector in Chhattisgarh, are generating roughly 40 MTPA of iron ore. By FY30, NMDC plans to have a 100 MNT capacity for producing iron ore.

**III. REVIEW OF LITERATURE VIEW**

Annual reports and financial statements of NMDC Limited offer detailed information on the company's financial performance. Analyzing these reports can provide a comprehensive view of the company's profitability trends and financial health (NMDC Limited, Annual Reports, 2020-2023).

**3.1 Objective of the Study**

- The primary objective of study and compare the profitability of NMDC Limited over aspecific period, which is from 2020-21 to 2022-23
- The study aims to conduct a detailed analysis of various financial and performance metrics of NMDC Limited over the three-year period.
- To identify and analyze trends in profitability ratios such as operating profit margin, gross profit margin, and net profit margin. It aims to determine whether these ratios have been increasing or decreasing over the three-year period.

**IV. RESEARCH METHODOLOGY**

The study is based on secondary data which is gathered through the Annual Reports, online platforms (www.moneycontrol.com, visiting company website) etc.

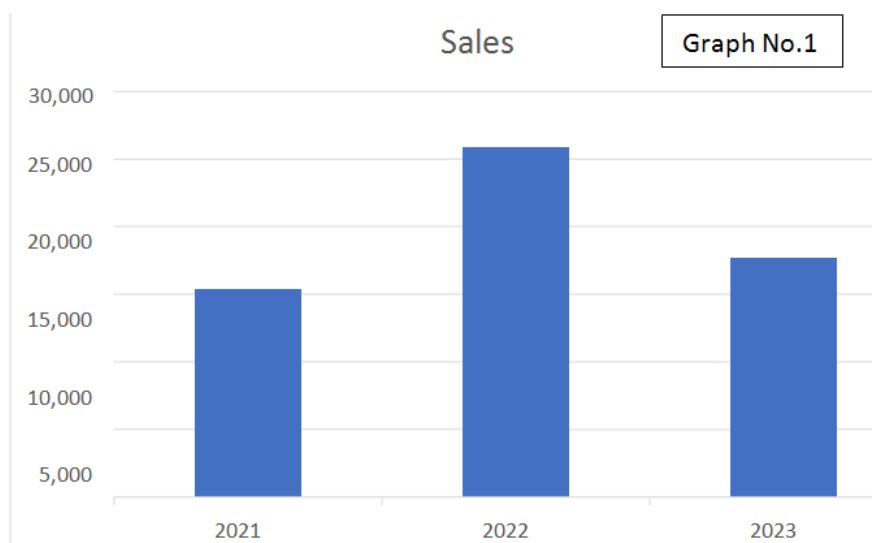
Research is based on secondary data we have collected data from various sources like moneycontrol tickier tape

**4.1 Data Analysis:**

Annual Sales: -

**Table No. 1:**

Year	2021	2022	2023
Sales	15,370	25,881	17,666



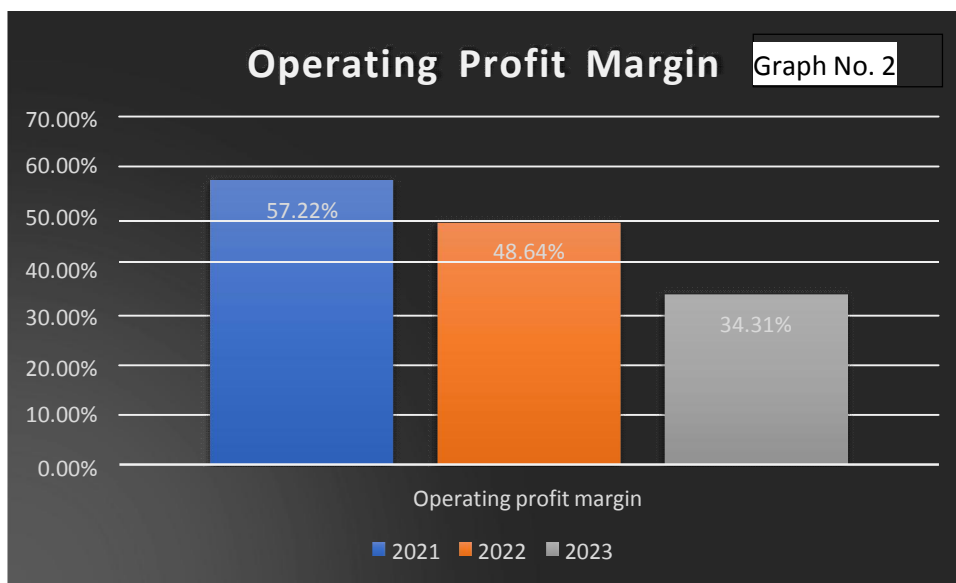
**Analysis and Interpretation:**

The company experienced substantial growth in sales from 2021 to 2022. Sales increased from \$15,370 in 2021 to \$25,881 in 2022, representing a significant increase of \$10,511 or approximately 68.35%. In 2023, there was a notable decrease in sales. Sales dropped to \$17,666, which is \$8,215 lower than the previous year (2022). This decrease represents a reduction of approximately 31.72%. When comparing 2023 to 2021, there was still an overall increase in sales of \$2,296.

**4.2 Operating Profit Margin (%)**

**Table No. 2:**

Year	2021	2022	2023
Operating Profit Margin(%)	57.22%	48.64%	34.31%



**Analysis and Interpretation**

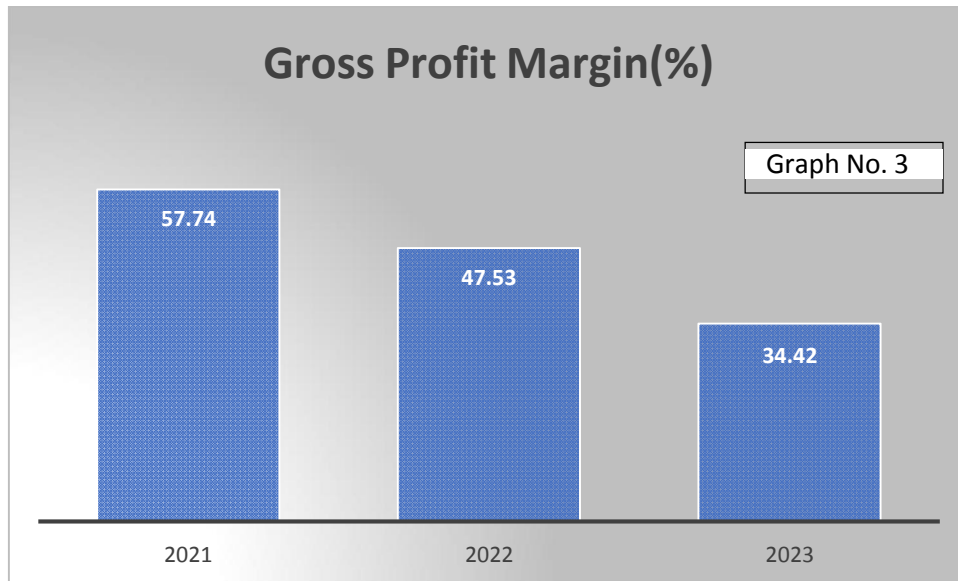
Over the three-year period, the operating profit margin has been decreasing. In 2021, the margin was 57.22%, which significantly dropped to 48.64% in 2022 and further decreased to 34.31% in 2023. This trend suggests that the company's profitability from its core operations has been declining over the years.

The declining trend in operating profit margin from 2021 to 2023 suggests that the company may be facing challenges in maintaining profitability from its core operations. A decreasing profit margin can result from factors such as rising operating expenses, increased competition, or changes in pricing strategies.

**4.3 Gross Profit Margin (%)**

**Table No. 3**

Year	2021	2022	2023
Gross ProfitMargin (%)	57.74	47.53	34.42



**Analysis and Interpretation**

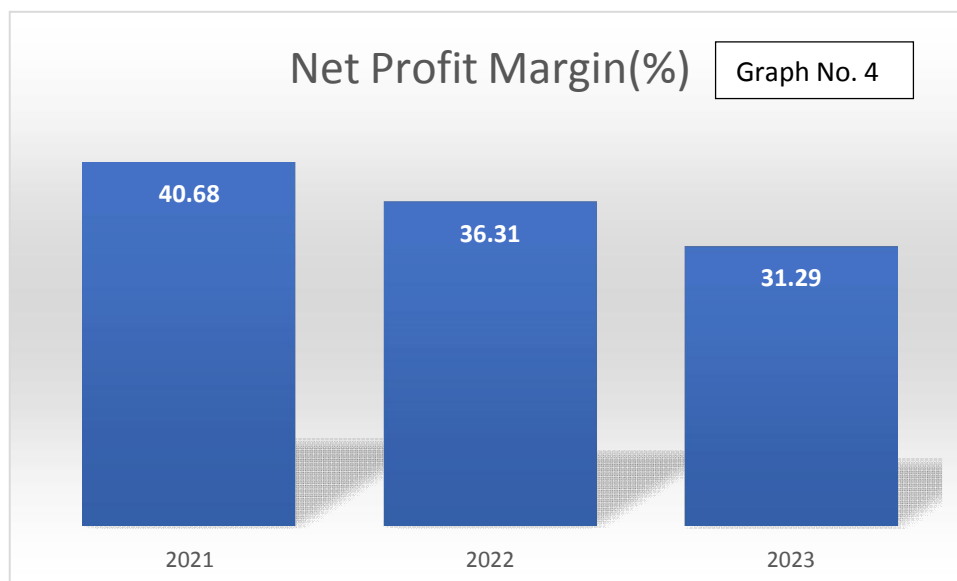
Similar to the operating profit margin, the gross profit margin has also been decreasing over the three-year period. In 2021, the margin was 55.74%, which dropped to 47.53% in 2022 and further decreased to 32.42% in 2023. This indicates a declining trend in the profitability of the company's core business activities.

The declining trend in gross profit margin over the three years is concerning and warrants a closer examination of the company's cost structure and pricing strategies

**4.4 Net Profit Margin (%)**

**Table No. 4**

Year	2021	2022	2023
Net Profit Margin(%)	40.68	36.31	31.29



**Analysis and Interpretation**

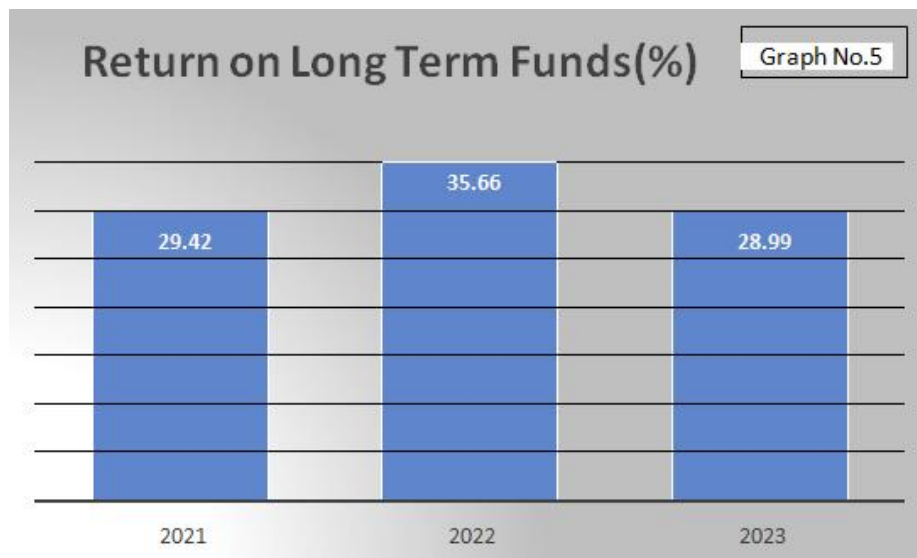
NMDC company's net profit margin has shown a gradual decline over the three-year period. In 2021, the margin was 40.68%, which decreased to 36.31% in 2022 and further decreased to 31.29% in 2023. This indicates a trend of decreasing profitability after accounting for all expenses, including operating expenses, interest, and taxes.

The net profit margin represents the company's bottom-line profitability, considering all expenses. The declining trend in net profit margin over the three years suggests that the company is facing challenges in maintaining profitability after accounting for all costs

**4.5 Return on Long Term Fund (%)**

**Table No. 5**

Year	2021	2022	2023
Return on LongTerm Fund (%)	29.45	35.66	28.99



**Analysis and Interpretation**

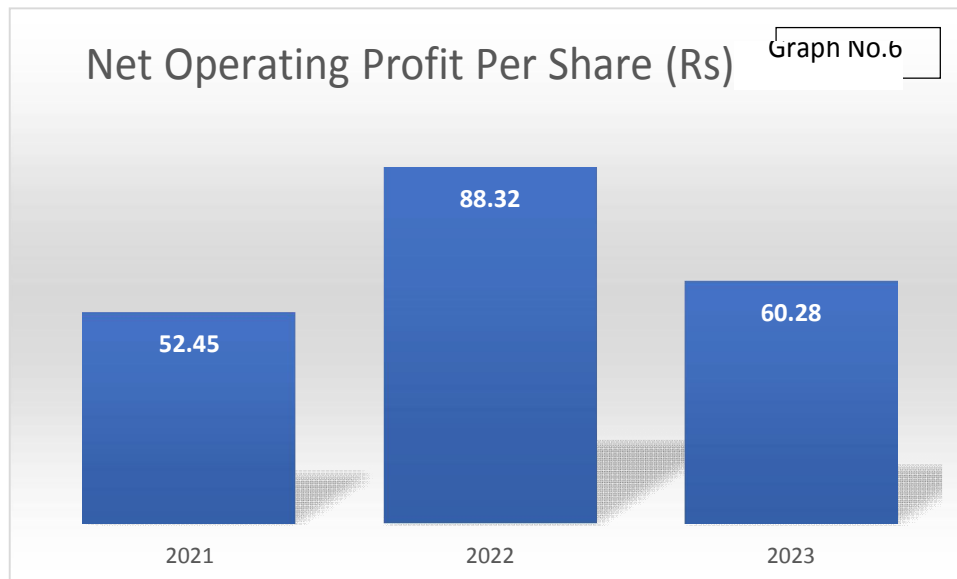
NMDC LTD has experienced fluctuations in its Return on Long Term Funds over the three- year period. In 2021, the return was 29.42%, which increased to 35.66% in 2022 and then decreased to 28.99% in 2023.

The return on long-term funds ratio indicates the efficiency with which the company is using its long-term financing to generate profits. A higher ratio is generally considered favourable, as it signifies a better return on investment from long-term capital. The increase from 2021 to 2022 is a positive sign, suggesting that the company improved its utilization of long-term funds.potentially by investing in projects or activities that generated higher returns.

**4.6 Net Operating Profit Per share (Rs.)**

**Table No. 6**

Year	2021	2022	2023
Net Operating ProfitPer share (Rs.)	52.45	88.32	60.28



### Analysis and Interpretation

The data shows a clear trend of increasing net operating profit per share over the three-year period. In 2021, it was Rs 52.45, which significantly increased to Rs 88.32 in 2022 and further decreased to Rs 60.28 in 2023.

The increase in Net Operating Profit Per Share from 2021 to 2022 indicates that the company was able to improve its profitability from core operations significantly during that period.

The decrease in 2023, compared to 2022, suggests that the company's profitability from core operations declined, but it was still better than in 2021.

## V. FINDINGS AND SUGGESTIONS

### 5.1 Findings

- The company's sales increased significantly between 2021 and 2022, but they sharply declined in 2023. This suggests that even though the company's sales increased in 2022, it was unable to maintain that growth in the following year.
- Over the three-year period, both the operational profit margin and the gross profit margin displayed a dropping tendency. This may indicate a decline in the company's profitability from its main businesses. This drop may be attributed to elements like increasing operating costs and shifting pricing tactics.
- The net profit margin gradually declined, suggesting difficulties in maintaining profitability after accounting for all costs.

### 5.2 Suggestions

- In order to keep revenue growth steady, NMDC needs to examine the circumstances behind the sharp decline in sales in 2023. It ought to look into ways to control sales and lessen reliance on erratic market conditions.
- The business should concentrate on cost management strategies to increase profitability given the diminishing profit margins. To achieve sustainable profits, this includes streamlining operating costs and reviewing pricing strategies.
- Implement cost management strategies and pricing tactics to counteract declining profit margins. Streamlining operating costs and evaluating pricing strategies are essential steps.
- Continue focusing on improving the utilization of long-term funds to generate higher returns, potentially through strategic investments and projects.

## VI. CONCLUSION

In summary, NMDC Limited's three-year financial study from 2020 to 2023 provides a thorough picture of the business's financial performance and health. The revenue growth, profitability, liquidity, and general stability of NMDC throughout this time period have all been well-explained in this study. It is clear that NMDC has shown to be resilient and flexible in the face of market swings and economic difficulties. The analysis's conclusions can be a useful tool for investors and stakeholders, supporting their future strategic planning and well-informed decision-making.

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