14 August 2025

Lloyds Metals and Energy

In-line operating profit, MDO consolidation to yield synergies; Buy

Rating: **Buy**
Target price (12-mth): Rs.1,580
Share price: Rs.1,400

Lloyds Metals recently received mine EC, raising capacity from 10m tonnes to 26m; it guided to 22m tonnes of iron ore for FY26 and 25-26m for FY27. It began operations at the 4m tonnes Konsari pellet plant (phase-I), expected to produce 2.8-3m tonnes in FY26. It is on track to become the second largest merchant pellet producer in India in a few years. The 19.4% strategic acquisition in MRPPL (Goa) and 49.99% in BRPL (Odisha) will strengthen its market position in pellets, ensuring operations across various regions. Primary engineering work for the BHQ plant is now complete and procurement of major equipment is on-going. The company has advanced its timeline to set up a BHQ plant and, instead of setting up 15m tonnes in phase-I, it will now set up 30m with six trains of 5m each, the first expected to be operational from Q4 FY27. The 1.2m tonnes wire-rod plant is in an advanced stage of development and expected to be complete ahead of schedule.

We slightly trim our estimates to reflect the slight delay in receipt of mine EC (originally expected between Mar-Apr'25) and factor in changes in the production guidance. We are positive on growth prospects and roll forward our estimates to FY28. We retain a Buy with a Rs1,580 TP (on a sum-of-parts valuation). The MDO acquisition is concluded, and financials would be consolidated from Q2 FY26. We shall revise our model to reflect this in subsequent quarters.

Q1 operating profitability in line with ARe. Iron ore/DRI sales rose 1.8%/ 3.3% y/y to 3.45m /78,290 tonnes. Iron ore ASP rose 6.1% y/y to Rs6,061/ tonne (in line with ARe) and EBITDA/tonne rose 20.3% y/y to Rs2,223/tonne (higher than ARe). In Q1, 11% of total iron ore production was lumps, the rest fines, with average lump ASP at Rs6,500/tonne and fines at Rs5,900. Revenue was down 1.4% y/y to Rs23.8bn (lower than ARe) and EBITDA rose 10.5% y/y to Rs7.9bn (in line with ARe).

Cost optimisation. The 85km 10m tonne slurry pipeline is expected to reduce freight cost ~Rs500-600/tonne, and the benefits expected to further increase by Rs800-1,000/tonne as the 5m-tonne 195km Hedri-Ghughus pipeline begins operations. Further, the investment in a fleet of trucks would save ~Rs100/ tonne of additional logistics cost. This is over and above the MDO benefit of ~Rs400-500/tonne as indicated by the company in last conference calls.

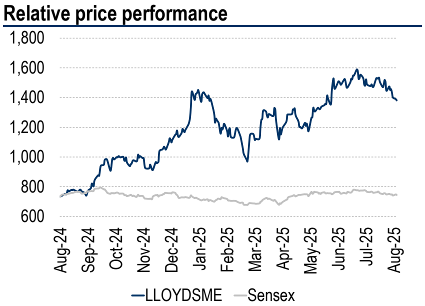
Outlook, Valuation. Capex's is progressing per schedule or ahead of it. Once the present capex concludes, the company plans to venture into 'other minerals' expected to fuel the next leg of growth. Further, strategic acquisitions in two pellet plants would yield returns in newer regions. We are positive on growth prospects and retain a Buy with a Rs1,580 TP (on a sum-of-parts valuation).

Key data	LLOYDSME IN LYMT.BO
52-week high / low	Rs.1,612 / 726
Sensex / Nifty	80,540 / 24,619
Market cap	Rs.722bn
Shares outstanding	523m

Shareholding pattern (%)	Jun'25	Mar'25	Dec'24
Promoters	63.4	63.4	63.5
- *of which, Pledged*	16.8	16.8	18.2
Free Float	36.6	36.6	36.5
- Foreign institutions	2.2	2.1	2.0
- Domestic institutions	2.1	1.9	1.8
- Public	32.3	32.6	32.8

Estimates revision (%)	FY26e	FY27e	FY28e
Sales	(3.0)	(8.4)	-
EBITDA	(3.3)	(2.9)	-
APAT	(4.3)	(7.8)	-

Relative price performance



Source: Bloomberg

Key financials (YE Mar)	FY24	FY25	FY26e	FY27e	FY28e
Sales (Rs m)	65,217	67,214	1,49,596	1,75,053	2,07,861
EBITDA (Rs m)	17,283	19,529	60,059	77,401	89,106
Adj. PAT (Rs m)	12,429	14,499	43,369	55,694	62,789
EPS (Rs)	24.6	27.7	77.4	99.5	112.1

Source: Company, Anand Rathi Research

Parthiv Jhonsa
Research Analyst

Prakhar Khajanchi
Research Analyst

Quick Glance – Financials and Valuations

Fig 1 – Income statement (Rs m)

Year-end: Mar	FY24	FY25	FY26e	FY27e	FY28e
Revenue	***65,217***	***67,214***	***1,49,596***	***1,75,053***	***2,07,861***
Revenue growth (%)	92.2	3.1	122.6	17.0	18.7
Expenses	47,934	47,685	89,537	97,651	1,18,755
EBITDA	***17,283***	***19,529***	***60,059***	***77,401***	***89,106***
EBITDA growth (%)	113.3	13.0	207.5	28.9	15.1
EBITDA margins (%)	26.5	29.1	40.1	44.2	42.9
Depreciation	490	808	1,862	3,305	4,736
Other income	529	512	1,128	2,921	2,921
Interest expenses	57	272	1,344	2,560	3,349
PBT before excep. items	17,265	18,961	57,980	74,457	83,943
Exceptional items	0	0	0	0	0
PBT after exceptional items	17,265	18,961	57,980	74,457	83,943
Effective tax	4,836	4,462	14,611	18,763	21,154
PAT (before Ass./ (Mino.)	12,429	14,499	43,369	55,694	62,789
+ Associates / (Minorities)	0	0	0	0	0
Reported PAT	12,429	14,499	43,369	55,694	62,789
Adj. PAT	***12,429***	***14,499***	***43,369***	***55,694***	***62,789***
Adj. PAT growth (%)	37.2	16.7	199.1	28.4	12.7

Fig 2 – Balance sheet (Rs m)

Year-end: Mar	FY24	FY25	FY26e	FY27e	FY28e
Share capital	505	523	560	560	560
Net worth	28,109	64,021	1,24,566	1,79,420	2,41,369
Debt	331	7,952	32,952	44,952	57,952
Minority interest	0	0	0	0	0
DTL / (Assets)	864	755	755	755	755
Others	249	350	350	350	350
Capital employed	***29,553***	***73,078***	***1,58,623***	***2,25,477***	***3,00,426***
Net tangible assets	11,568	15,315	59,198	1,02,215	1,44,373
Net intangible assets	0	0	0	0	0
CWIP	12,682	41,811	71,066	99,744	1,27,849
Investments	0	0	0	0	0
Other non-current assets	3,851	6,839	6,839	6,839	6,839
Inventory	2,311	4,318	7,377	7,674	9,112
Accounts receivable	799	1,714	2,459	1,918	2,278
Cash (incl. bank balance)	3,162	8,143	11,048	8,519	8,260
Other current assets	5,003	16,027	23,001	21,692	25,288
Current liabilities	9,823	21,089	22,365	23,124	23,573
Capital deployed	***29,553***	***73,078***	***1,58,623***	***2,25,477***	***3,00,426***

Fig 3 – Cash-flow statement (Rs m)

Year-end: Mar	FY24	FY25	FY26e	FY27e	FY28e
EBITDA	17,283	19,529	60,059	77,401	89,106
+ other adj.	0	0	0	0	0
- Incr. / (decr.) in WC	1,539	-3,092	-9,502	2,312	-4,944
Others incl. taxes	-1,811	-4,920	-14,611	-18,763	-21,154
CF from op. activity	***17,010***	***11,517***	***35,946***	***60,950***	***63,009***
- Capex (tang. + intang.)	-16,943	-36,956	-75,000	-75,000	-75,000
Free cash-flow	***68***	***-25,439***	***-39,054***	***-14,050***	***-11,991***
Others	-311	-2,804	1,128	2,921	2,921
CF from inv. activity	***-17,254***	***-39,760***	***-73,872***	***-72,079***	***-72,079***
- Div. (incl. buyback & taxes)	0	0	-560	-840	-840
+ Debt raised	0	0	25,000	12,000	13,000
Others	-6	28,080	16,391	-2,560	-3,349
CF from fin. activity	***-6***	***28,080***	***40,831***	***8,600***	***8,811***
Incr. / decr. in cash	-250	-163	2,904	-2,529	-259
Closing bal. (incl. bank bal.)	3,162	8,143	11,048	8,519	8,260

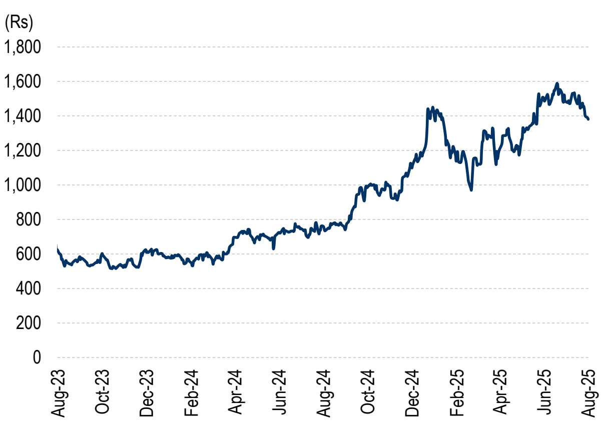
Source: Company, Anand Rathi Research

Fig 4 – Ratio analysis

Year-end: Mar	FY24	FY25	FY26e	FY27e	FY28e
EPS (Rs)	24.6	27.7	77.4	99.5	112.1
P/E (x)	56.9	50.5	18.1	14.1	12.5
P/BV (x)	25.2	11.4	6.3	4.4	3.2
EV / EBITDA (x)	40.8	37.5	13.4	10.6	9.4
EV / Sales (x)	10.8	10.9	5.4	4.7	4.0
RoE (%)	57.3	31.5	46.0	36.6	29.8
RoCE (%)	79.2	37.5	51.2	40.1	33.2
DPS (Rs)	1	1	1	1.5	1.5
Dividend payout (%)	4.1	3.6	1.3	1.5	1.3
Debt / Equity (x)	0.0	0.1	0.3	0.3	0.2
Inventory (days)	13	23	18	16	16
Debtors (days)	4	9	6	4	4
Payable (days)	22	2	4	5	5
EBITDA margins (%)	26.5	29.1	40.1	44.2	42.9
Adj. PAT margins (%)	19.1	21.6	29.0	31.8	30.2

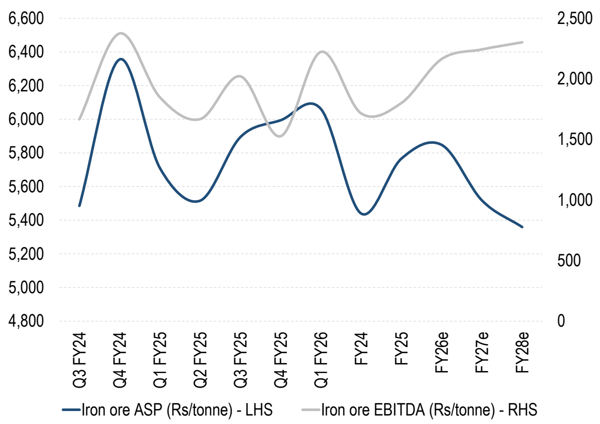
Source: Company, Anand Rathi Research

Fig 5 – Price movement



Source: Bloomberg

Fig 6 – Iron ore ASP and EBITDA/tonne movement



Source: Company, Anand Rathi Research

Q1 FY26 Result Highlights

Fig 7 – Quarterly

Particulars (Rs m)	Q1 FY24	Q2 FY24	Q3 FY24	Q4 FY24	Q1 FY25	Q2 FY25	Q3 FY25	Q4 FY25	Q1FY26	Q1 FY26 est.	% est	% Y/Y	% Q/Q
Revenue	19,655	10,913	19,105	15,543	24,172	14,357	16,752	11,933	23,835	25,669	*-7.1*	*-1.4*	*99.7*
Revenue growth (q/q)	*124.3*	*-44.5*	*75.1*	*-18.6*	*55.5*	*-40.6*	*16.7*	*-28.8*	*99.7*	*115.1*			
EBITDA	5,359	2,863	4,477	4,584	7,187	4,367	5,364	2,611	7,942	8,021	*-1.0*	*10.5*	*204.2*
EBITDA growth (q/q)	*225.7*	*-46.6*	*56.3*	*2.4*	*56.8*	*-39.2*	*22.8*	*-51.3*	*204.2*	*207.2*			
EBITDA margins (%)	*27.3*	*26.2*	*23.4*	*29.5*	*29.7*	*30.4*	*32.0*	*21.9*	*33.3*	*31.2*			
Depreciation	76	102	147	165	187	177	221	223	307	428			
Other income	119	199	131	81	58	81	180	193	282	228			
Interest expenses	5	10	19	23	19	36	83	134	146	188			
PBT before excep. items	5,397	2,951	4,442	4,476	7,039	4,236	5,241	2,446	7,770	7,633	*1.8*	*10.4*	*217.6*
PBT after exceptional items	5,397	2,951	4,442	4,476	7,039	4,236	5,241	2,446	7,770	7,633			
Effective tax	1,364	638	1,127	1,707	1,465	1,222	1,348	427	1,354	1,923			
PAT (before Ass. / (Mino.)	4,033	2,313	3,315	2,769	5,574	3,014	3,893	2,019	6,416	5,709			
Reported PAT	4,033	2,313	3,315	2,769	5,574	3,014	3,893	2,019	6,416	5,709	*12.4*	*15.1*	*217.8*
Adj. PAT	4,033	2,313	3,315	2,769	5,574	3,014	3,893	2,019	6,416	5,709	*12.4*	*15.1*	*217.8*
Adj. PAT growth (q/q)	*49.9*	*-42.7*	*43.3*	*-16.5*	*101.3*	*-45.9*	*29.2*	*-48.1*	*217.8*	*182.8*			
Expenses as percent of revenue													
Cost of materials consumed	5.2	5.8	21.1	20.7	10.1	19.2	7.9	12.9	8.1				
Employee cost	1.1	2.7	1.9	1.9	1.4	2.4	2.4	4.5	2.7				
Mining, royalty expense (incl. selling)	59.4	57.1	43.7	39.5	52.8	44.0	50.9	47.2	50.7				
Finance cost	0.0	0.1	0.1	0.1	0.1	0.3	0.5	1.1	0.6				
Depreciation	0.4	0.9	0.8	1.1	0.8	1.2	1.3	1.9	1.3				
Other expenses	6.9	8.1	9.8	8.4	6.0	3.9	6.7	13.5	5.1				
Total	73.1	74.8	77.4	71.7	71.1	71.1	69.8	81.1	68.6				

Source: Company, Anand Rathi Research

Change in estimate

Fig 8 – Change in estimates

Rs m	Revised			Previous			% change		
	FY26	FY27	FY28	FY26	FY27	FY28	FY26	FY27	FY28
Consolidated financials									
Revenue	1,49,596	1,75,053	2,07,861	1,54,292	1,91,171	-	*-3.0*	*-8.4*	-
EBITDA	60,059	77,401	89,106	62,117	79,706	-	*-3.3*	*-2.9*	-
Adj. PAT	43,369	55,694	62,789	45,301	60,427	-	*-4.3*	*-7.8*	-

Source: Anand Rathi Research

Conference call KTA

The 79.82% stake acquired in MDO has been completed; financials are expected to be consolidated from Q2 FY26.

Our analysis: One of the largest MDO operators in India, TEIL had projected its Rs80.57bn FY26 revenue (with a 35% EBITDA margin), expected to rise to Rs97.28bn with a 32% margin by FY28. The MDO acquisition will help improve the company's mining business margins, enhance backward integration, ensure minimal impact due to steel RM fluctuations and provide direct control on mining cost drivers. Per-tonne savings are expected at ~Rs400-500 and the entire benefit is expected by FY28. As current financials only pertain to the company's business verticals, MDO operations are expected to be merged from Q2 FY26. We shall revise/update our model in subsequent quarters to reflect the benefits of the MDO operations.

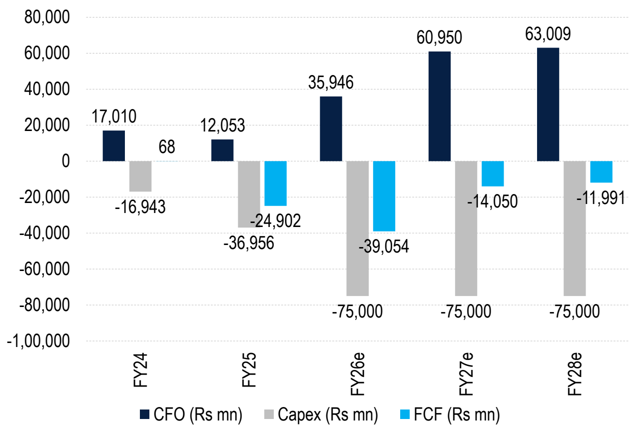
To replicate the past success, once the current round of capex is concluded the company plans to increase operations in other minerals.

Our analysis: The company would cash in on the MDO experience. The MDO vertical manages private and government mines across minerals in India and internationally. With MDO now a part of the listed entity, the company would benefit.

To complete the current round of capex, the company earmarked Rs75-80bn yearly over three years. Part of FY26 capex would be funded by receipts from warrants and part via internal accruals. However, management is open to fund capex via external sources.

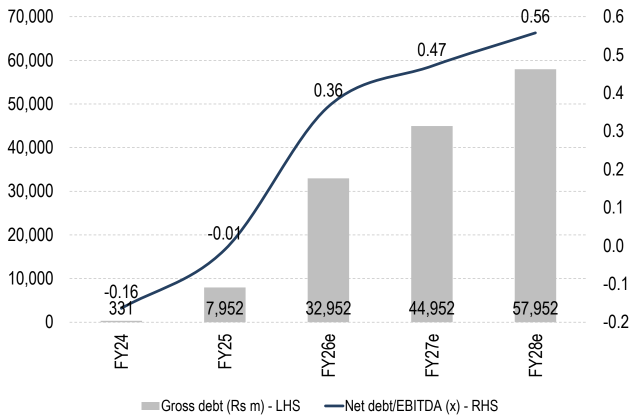
Our analysis: The company in Sep'24 issued 36,795,000 warrants to promoters and non-promoters at Rs740 a share. 35% was received at the time of initial subscription, the pending amount (~Rs17.7bn) is expected to be received in FY26. This would be used to partly fund the current year's capex. Further, the Board also granted approval for a public issue of NCDs not exceeding Rs25bn, which too would be used to fund current year capex. However, we believe, as the company increases capacities across regions and the value chain, till all the plants come on stream and start generating cash-flows, capex for the next three years would need to be funded partially via borrowings.

Fig 9 – Capex to outpace cashflow



Source: Company, Anand Rathi Research

Fig 10 – Capex funded partially via debt

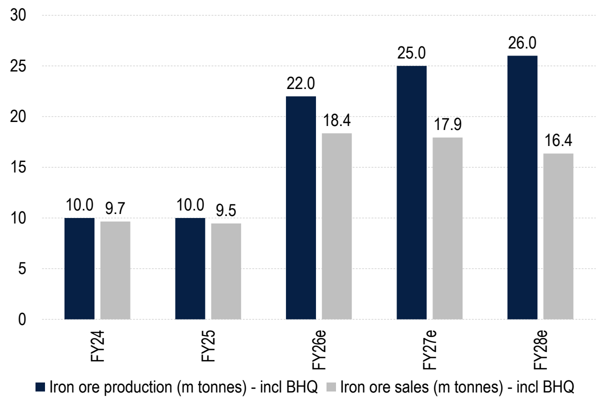


Source: Company, Anand Rathi Research

The capex is on schedule or ahead of it. The company has received EC, which has raised its mine capacity from 10m tonnes to 26m. it has commissioned a slurry pipeline and a 4m tonnes pellet plant. For the 4m tonnes Konsari pellet plant, it has ordered all major machinery and site work is on schedule. The 1.2m tonnes steel plant is ahead of schedule, benefits expected from FY27. The company has revised its BHQ plans and, instead of setting up 15m tonnes (equivalent to 5m tonnes of iron ore), it will now be setting up 30m of the 45m under phase-I. Primary engineering work for the BHQ plant (phase-I) is complete and major equipment procuring is on-going. It will be setting up these plants in six trains of 5m tonnes each, the first to be operational in Q4 FY27, with one train then expected to be operational monthly. The 195km 5m tonne slurry pipeline, pellet plant-3, phase-II of the 15m tonne BHQ and the 3m tonne integrated flat steel plant are expected to be complete by FY29. To correctly reflect the commencement schedule, the company provided production guidance till FY27.

Our analysis: As guided by the company, a partial benefit of the steel plant would be in FY27 and, we believe, by FY28, the plant should function at the industry's average utilization (between 85-90%). As this would be the first-of-its-kind primary long-steel plant in western-to-central belt of India, we believe, the company would be able to dispatch volumes in the few hundred km vicinity of the plant. Further as the pellet plant ramps up, part of the ore would be used captively, the rest sold in the merchant market. Further, MDO operations, cost optimisation and logistics-cost benefits are expected to raise the iron ore EBITDA. Though we believe EBITDA/tonne of BHQ to be lower due to beneficiation cost, it would not be vastly different from that of iron ore. For instance, in FY28 we expect the iron ore vertical to report EBITDA/tonne of Rs2,302 and BHQ of Rs2,193/tonne.

Fig 11 – The company will utilize part of production for captive consumption



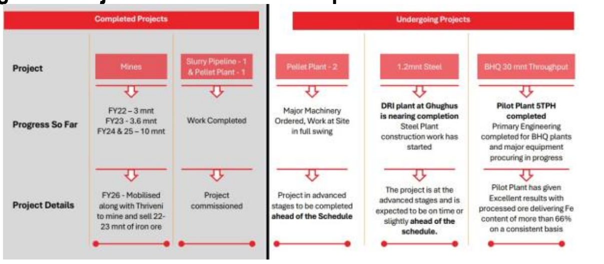
Source: Company, Anand Rathi Research

Fig 12 – Production volumes estimates over FY26-28e

Production (tonnes)	FY26e	FY27e	FY28e
Iron ore	22,000,000	25,000,000	18,162,500
BHQ			7,837,500
Pellets	2,850,000	6,000,000	8,533,333
DRI	545,600	696,960	696,960
Steel		500,000	1,020,000

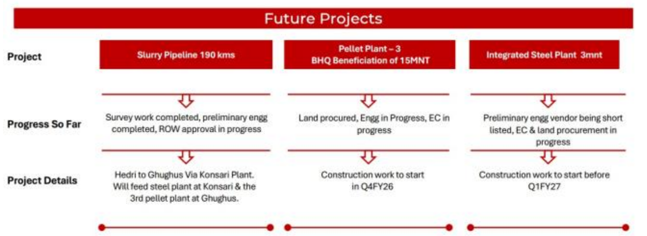
Source: Anand Rathi Research

Fig 13 – Project under the current phase



Source: Company

Fig 14 – Pending projects to be completed by FY30



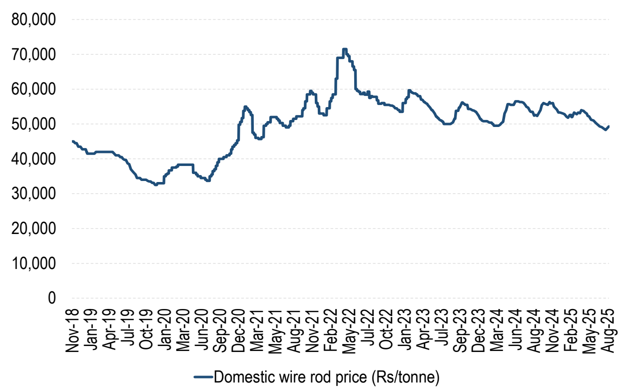
Source: Company

11% of the iron ore production in Q1 was lumps; the rest, fines. Average realisation for lumps was ~Rs6,500/tonne and for fines ~Rs5,800-5,900. The company expects realisations to improve by ~Rs200-300/tonne in Q2 FY26. Despite clocking 3.45m tonnes in Q1, the company is confident of 22m tonnes production and offtake. It has achieved ~60,000 tonnes excavation daily and, to achieve the target it needs to consistently excavate ~50,000 tonnes/day.

Our analysis: Better realisations, which would reflect in EBITDA, does not include the benefit from the MDO consolidation. That benefit is expected to be over and above. A simple back-of-the envelope calculation translates to ASP of ~Rs6,200 and EBITDA of ~Rs2,375/tonne for Q2. 4m tonnes produced in Q2 would translate to ~Rs24.8bn revenue and ~Rs9.5bn EBITDA from iron ore mining.

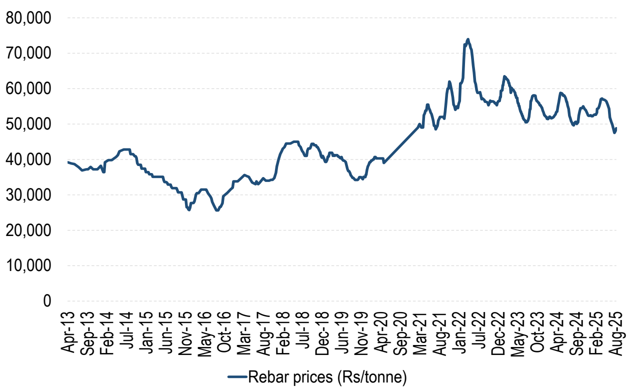
The 1.2m-tonne plant would provide products to wire-rope manufacturers or LRPC manufacturers. Further, the company expects to manufacture three products: 700-800k tonnes of wire rods, ~300k tonnes of TMT and the rest carbon/alloy bars. The diversified mill configuration will help the company cater to various customers in its vicinity.

Fig 15 – Domestic wire-rod prices (Rs/tonne)



Source: Company, Anand Rathi Research

Fig 16 – Domestic rebar prices (Rs/tonne)



Source: Company, Anand Rathi Research

Other KTAs

The company will file for the pellet IPS in FY26, the benefit is expected to start accruing from FY26 over 12 years.

The two largest consumers take ~31-35% of the iron ore and contracts for higher volumes with them have already been negotiated.

The company has started selling pellets to southern regions and is expected to dispatch ~2.5m tonnes there.

It acquired the 4m tonnes Brahmani River Pellets to strengthen its operations across eastern and central India. The latter procures RM and sells pellets in local regions; hence, this will be a going-concern acquisition for the company, which would not require much day-to-day interference.

The Mandovi River Pellets Pvt. Ltd. stake acquisition was strategic. It gives the company an opportunity to tap exports if pricing headwinds ease. As the plant is based in Goa it has port connectivity. Further, the original owners have a beneficiation plant in Goa, which will help beneficiate sub-grade ore being auctioned.

Valuation

The only iron ore miner in Maharashtra, Lloyds is widening operations across the ferrous value chain by setting up integrated steel manufacturing plants at Chandrapur and Gadchiroli. Its strong focus on increasing value by integrating steel manufacturing operations along with benefits of the MDO acquisition is expected to help to better profits.

The fully mechanized open-cast Surjagarh iron ore mine has R&R of ~863m tonnes (~157m iron ore, ~706m BHQ); the mine is strategically located in the centre of India, equidistant from major steel hubs.

The company which enjoys one of the industry best EBITDA/tonne is further undertaking cost optimisation, expected to yield further benefits. Once all slurry pipelines are operational, along with the MDO and RE benefit, it is expected to redefine the global iron ore cost curve. We believe, if all the benefits accrue, the cost curve is expected to be in line with global iron ore miners like BHP, Vale, Rio Tinto, etc.

We are positive on growth prospects and roll forward our valuation to FY28. We retain a Buy with a Rs1,580 TP (on a sum-of-parts valuation). The MDO acquisition has been concluded, and financials would be consolidated from Q2 FY26. To reflect this, we shall revise our model in subsequent quarters.

Fig 17 – TP calculation

Y/E March	UoM	FY27e	FY28e
Core operations			
EBITDA	Rs m	77,401	89,106
EV/EBITDA multiple	x	8.0	8.0
EV	Rs m	6,19,211	7,12,851
IPS benefit			
EBITDA	Rs m	2,921	2,921
EV/EBITDA multiple	x	5.0	5.0
EV	Rs m	14,605	14,605
Total EV (core + IPS)	Rs m	6,33,816	7,27,456
+C-WiP @ 75%	Rs m	74,808	95,887
- Net debt	Rs m	36,433	49,692
Equity Value (a)	**Rs m**	**6,72,191**	**7,73,651**
MDO business (company's presentation)			
EBITDA	Rs m	34,460	31,380
EV/EBITDA multiple	x	6.5	6.5
MDO EV	Rs m	2,23,990	2,03,970
- Net debt	Rs m	13,640	8,360
Equity value	Rs m	2,10,350	1,95,610
Stake in the MDO business	%	79.8	79.8
Equity value to LMEL (b)	**Rs m**	**1,67,901**	**1,56,136**
Total entity value (a+b)	**Rs m**	**8,40,092**	**9,29,787**
No. of shares	m	560	
Value per share	Rs	1,500	1,660
Weighted average price	**Rs/sh**	**1,580**	

Source: Anand Rathi Research *Note: Rounded to nearest 10's*

Appendix

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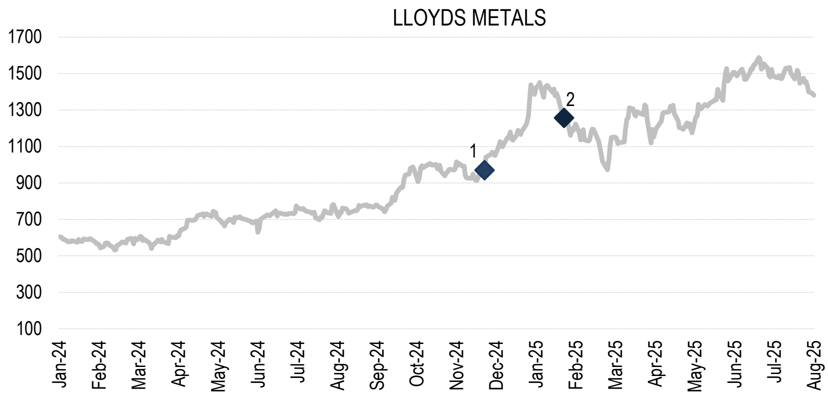
Rating and Target Price History (as of 13 August 2025)



	Date	Rating	TP (Rs)	Share Price (Rs)
1	28-Nov-24	**Buy**	1,260	970
2	29-Jan-25	**Buy**	1,570	1,262

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Mid Caps (101st-250th company)	>20%	0-20%	<0%
Small Caps (251st company onwards)	>25%	0-25%	<0%

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Compliance officer: Deepak Kedia, email id: deepakkedia@rathi.com, Contact no. +91 22 6281 7000
Grievance officer: Madhu Jain, email id: grievance@rathi.com, Contact no. +91 22 6281 7191

ARSSBL registered address: Express Zone, A Wing, 10th Floor, Western Express Highway, Diagonally Opposite Oberoi Mall, Malad (E), Mumbai – 400097.
Tel No: +91 22 6281 7000 | Fax No: +91 22 4001 3770 | CIN: U67120MH1991PLC064106.