Lloyds Metals and Energy
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EQUITY: METALS & MINING

Building beyond mining; initiating at Buy

Transitioning into an integrated steel producer with a diversified revenue base that supports meaningful upside

Rating Starts at	**Buy**
Target price Starts at	**INR 1,600**
Closing price 20 February 2026	**INR 1,143**
Implied upside	**+40.0%**
Market Cap (USD mn)	6,840.2
ADT (USD mn)	8.7

Initiate coverage with a Buy rating; SOTP-based TP of INR1,600 implies 40% upside

We initiate coverage on Lloyds Metals and Energy (LMEL) with a Buy rating and a target price of INR1,600. Supported by low-cost iron ore assets to 2057, vertical integration into steel, predictable mine development and operations (MDO) earnings, and diversification into copper, LMEL is transitioning from a pure-play miner to a more stable, diversified and less cyclical business model. We estimate LMEL will generate consolidated EBITDA of ~INR109bn by FY28F vs INR19bn in FY25, implying a 77% CAGR. Our TP of INR1,600 implies 7.8x one-year-forward EV/EBITDA (*Fig. 74*). The stock is currently trading at 8.6x. Risks: (1) a delay in steel capacity; (2) political unrest in the Democratic Republic of the Congo affecting the copper business; (3) BHQ beneficiation not yielding the same results as seen in the pilot project; and (4) resurfacing of Naxal activities.

Access to high-grade low-cost iron ore until 2057

LMEL enjoys long-term access to high-grade, low-cost iron ore until 2057 through the Surjagarh mine, allocated without auction premium. As Maharashtra's only iron ore mine, it holds 157MT of extractable reserves and 701MT of BHQ, with low silica-alumina content, supporting structural cost advantages.

Moving towards vertical integration

LMEL aims to develop Gadchiroli-Chandrapur as a steel hub of western India by setting up fully integrated steel facilities at Ghughus and Konsari, scheduled to be commissioned during FY27-29. Leveraging low-cost iron ore, along with a focus on value-added products and cost efficiencies, we expect it to materially enhance profitability.

The MDO business adds earnings stability to an otherwise cyclical portfolio

LMEL acquired a 79.82% stake in Thriveni Earthmovers and Infra in July 2025. TEIL's annuity-like contract model limits exposure to commodity price volatility, and we estimate it will contribute ~20% of consolidated EBITDA by FY28F, enhancing overall earnings predictability.

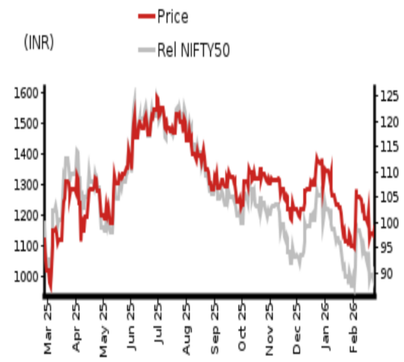
Copper business provides global resource diversification

Through its wholly-owned subsidiary, Lloyds Global Resources FZCO, LMEL has acquired a 50% stake in Nexus Holdco FZCO, providing exposure to copper and multi-mineral assets in the DRC. The transaction enhances geographic and commodity diversification, and we expect it to be earnings-accretive, with EBITDA of INR4.9bn by FY28F.

Year-end 31 Mar	FY25	FY26F		FY27F		FY28F	
Currency (INR)	Actual	Old	New	Old	New	Old	New
Revenue (mn)	67,214	0	170,196	0	282,831	0	299,900
Reported net profit (mn)	14,499	0	36,447	0	61,852	0	65,638
Normalised net profit (mn)	14,499	0	36,447	0	61,852	0	65,638
FD normalised EPS	28.00		65.08		110.45		117.21
FD norm. EPS growth (%)	13.8		132.4		69.7		6.1
FD normalised P/E (x)	40.8	–	17.6	–	10.3	–	9.8
EV/EBITDA (x)	32.3	–	11.1	–	6.5	–	5.7
Price/book (x)	9.2	–	5.4	–	3.5	–	2.6
Dividend yield (%)	0.1	–	0.1	–	0.3	–	0.3
ROE (%)	31.5		39.9		41.3		30.7
Net debt/equity (%)	11.8		13.7		8.7		5.2

Source: Company data, Nomura estimates

Relative performance chart



Source: LSEG, Nomura

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Key data on Lloyds Metals and Energy

Performance

(%)	1M	3M	12M		
Absolute (INR)	-2.0	-9.6	-4.2	M cap (USDmn)	6,840.2
Absolute (USD)	-2.1	-11.8	-8.8	Free float (%)	20.4
Rel to NIFTY50	-3.4	-7.2	-15.8	3-mth ADT (USDmn)	8.7

Income statement (INRmn)

Year-end 31 Mar	FY24	FY25	FY26F	FY27F	FY28F
Revenue	65,247	67,214	170,196	282,831	299,900
Cost of goods sold	-41,317	-41,300	-77,214	-119,300	-113,189
Gross profit	23,929	25,914	92,981	163,531	186,711
SG&A	-5,929	-5,560	-29,991	-63,328	-80,825
Employee share expense	-1,178	-1,633	-11,395	-14,142	-14,995
Operating profit	16,823	18,721	51,595	86,062	90,891
EBITDA	17,313	19,529	57,279	96,920	108,769
Depreciation	-490	-808	-5,684	-10,858	-17,878
Amortisation					
EBIT	16,823	18,721	51,595	86,062	90,891
Net interest expense	-57	-272	-4,952	-6,305	-4,955
Associates & JCEs			481	2,000	2,000
Other income	500	512	2,781	3,435	2,709
Earnings before tax	17,265	18,961	49,905	85,192	90,645
Income tax	-4,836	-4,462	-12,277	-20,964	-22,338
Net profit after tax	12,429	14,499	37,628	64,227	68,306
Minority interests	0	0	-1,181	-2,375	-2,669
Other items					
Preferred dividends					
Normalised NPAT	12,429	14,499	36,447	61,852	65,638
Extraordinary items					
Reported NPAT	12,429	14,499	36,447	61,852	65,638
Dividends	0	-523	-840	-1,680	-2,240
Transfer to reserves	12,429	13,976	35,607	60,172	63,398
Valuations and ratios					
Reported P/E (x)	46.4	40.8	17.6	10.3	9.8
Normalised P/E (x)	46.4	40.8	17.6	10.3	9.8
FD normalised P/E (x)	46.4	40.8	17.6	10.3	9.8
Dividend yield (%)	–	0.1	0.1	0.3	0.3
Price/cashflow (x)	33.9	49.1	17.7	9.2	7.2
Price/book (x)	20.5	9.2	5.4	3.5	2.6
EV/EBITDA (x)	36.0	32.3	11.1	6.5	5.7
EV/EBIT (x)	37.0	33.6	12.3	7.2	6.8
Gross margin (%)	36.7	38.6	54.6	57.8	62.3
EBITDA margin (%)	26.5	29.1	33.7	34.3	36.3
EBIT margin (%)	25.8	27.9	30.3	30.4	30.3
Net margin (%)	19.0	21.6	21.4	21.9	21.9
Effective tax rate (%)	28.0	23.5	24.6	24.6	24.6
Dividend payout (%)	0.0	3.6	2.3	2.7	3.4
ROE (%)	57.3	31.5	39.9	41.3	30.7
ROA (pretax %)	56.7	28.1	39.7	43.3	34.4
Growth (%)					
Revenue	0.9	3.0	153.2	66.2	6.0
EBITDA	1.1	12.8	193.3	69.2	12.2
Normalised EPS	-4.8	13.8	132.4	69.7	6.1
Normalised FDEPS	-6.2	13.8	132.4	69.7	6.1

Source: Company data, Nomura estimates

Cashflow statement (INRmn)

Year-end 31 Mar	FY24	FY25	FY26F	FY27F	FY28F
EBITDA	17,313	19,529	57,279	96,920	108,769
Change in working capital	1,539	-2,680	-12,050	-11,726	-1,777
Other operating cashflow	-1,841	-4,796	-9,016	-15,529	-17,629
Cashflow from operations	17,010	12,053	36,213	69,664	89,363
Capital expenditure	-17,207	-36,104	-56,860	-61,200	-79,200
Free cashflow	-197	-24,051	-20,647	8,464	10,163
Reduction in investments	-277	-4,147	0	0	0
Net acquisitions	-1	-2	0	0	0
Dec in other LT assets	0	0	0	0	0
Inc in other LT liabilities	0	0	0	0	0
Adjustments	231	494	0	0	0
CF after investing acts	-244	-27,706	-20,647	8,464	10,163
Cash dividends	0	-523	-840	-1,680	-2,240
Equity issue	2	21,412	17,750	0	0
Debt issue	0	7,462	70,000	-15,000	-15,000
Convertible debt issue	0	0	0	0	0
Others	-8	-271	-4,952	-6,305	-4,955
CF from financial acts	-6	28,080	81,958	-22,985	-22,195
Net cashflow	-250	374	61,311	-14,521	-12,032
Beginning cash	276	26	400	61,711	47,190
Ending cash	26	400	61,711	47,190	35,158
Ending net debt	-2,871	7,552	16,241	15,761	12,794

Balance sheet (INRmn)

As at 31 Mar	FY24	FY25	FY26F	FY27F	FY28F
Cash & equivalents	26	400	61,711	47,190	35,158
Marketable securities	3,136	7,744	7,744	7,744	7,744
Accounts receivable	799	1,714	14,455	24,021	25,471
Inventories	2,311	4,318	14,921	24,796	26,293
Other current assets	5,003	16,027	16,027	16,027	16,027
Total current assets	11,274	30,202	114,858	119,778	110,692
LT investments	0	0	0	0	0
Fixed assets	25,029	57,936	109,112	159,454	220,776
Goodwill	0	0	0	0	0
Other intangible assets	0	0	0	0	0
Other LT assets	3,072	6,031	6,031	6,031	6,031
Total assets	39,375	94,169	230,001	285,263	337,499
Short-term debt	37	53	53	53	53
Accounts payable	3,951	363	11,657	19,372	20,541
Other current liabilities	5,872	20,726	20,726	20,726	20,726
Total current liabilities	9,859	21,142	32,437	40,151	41,320
Long-term debt	294	7,898	77,898	62,898	47,898
Convertible debt	0	0	0	0	0
Other LT liabilities	1,113	1,107	1,107	1,107	1,107
Total liabilities	11,267	30,148	111,442	104,157	90,326
Minority interest	0				
Preferred stock					
Common stock	505	523	523	523	523
Retained earnings					
Proposed dividends					
Other equity and reserves	27,603	63,498	118,036	180,583	246,649
Total shareholders' equity	28,109	64,021	118,559	181,106	247,173
Total equity & liabilities	39,375	94,169	230,001	285,263	337,499
Liquidity (x)					
Current ratio	1.14	1.43	3.54	2.98	2.68
Interest cover	296.2	68.8	10.4	13.6	18.3
Leverage					
Net debt/EBITDA (x)	net cash	0.39	0.28	0.16	0.12
Net debt/equity (%)	net cash	11.8	13.7	8.7	5.2
Per share					
Reported EPS (INR)	24.62	28.00	65.08	110.45	117.21
Norm EPS (INR)	24.62	28.00	65.08	110.45	117.21
FD norm EPS (INR)	24.62	28.00	65.08	110.45	117.21
BVPS (INR)	55.67	123.65	211.71	323.40	441.38
DPS (INR)	0.00	1.01	1.50	3.00	4.00
Activity (days)					
Days receivable	2.9	6.8	17.3	24.8	30.2
Days inventory	14.0	29.3	45.5	60.8	82.6
Days payable	13.1	19.1	28.4	47.5	64.5
Cash cycle	3.8	17.1	34.4	38.1	48.3

Source: Company data, Nomura estimates

Company profile

Lloyds Metals currently operates the single largest iron ore mine in India, which is in the process of ramping up dispatchable iron ore capacity to 26MTPA. DRI production is being scaled up to 0.7MTPA. The company has also recently commissioned a 4MTPA pellet plant and is in the process of increasing pellet production capacity to a total of 12 MTPA in a staggered manner to meet future demand. Further strengthening its portfolio, Lloyds Metals is establishing its first integrated steel plant with a wire-rod capacity of 1.2 MTPA, followed by a 3 MTPA HRC plant in the future. The company also hosts captive power plants with ~34 MW capacity and has further secured 100+ MW of solar & wind power for captive consumption.

Valuation Methodology

We arrive at SOTP-based TP of INR1,600 by applying a target EV/EBITDA of 7.8x on new steady-state EBITDA in FY28. The benchmark for this stock is NIFTY50

Risks that may impede the achievement of the target price

Risks: (1) a delay in steel capacity;, (2) political unrest in the Democratic Republic of the Congo affecting the copper business;, (3) BHQ beneficiation not yielding the same results as seen in the pilot project;, and (4) resurfacing of Naxal activities.

ESG

Sustainability is also deeply embedded in Lloyds Metals' growth strategy. The company is pioneering initiatives such as battery-operated vehicles and EV fleets for mining operations, establishing slurry pipelines to reduce carbon emissions, and prioritizing renewable energy solutions. These efforts underscore its commitment to environmentally responsible practices while meeting the demands of an evolving industry

Narrative in charts

Fig. 1: Stocks for action

Company Name	Ticker	CMP (INR)	Rating	TP (INR)	CAGR FY25-28F (%)			RoE (%)			RoCE (%)		
					Volumes	Revenue	EBITDA	FY26F	FY27F	FY28F	FY26F	FY27F	FY28F
JSW Steel	JSTL IN	1,232	Buy	1,340	9%	8%	26%	12%	18%	17%	11%	14%	14%
Tata Steel	TATA IN	208	Buy	220	5%	7%	15%	13%	17%	16%	10%	13%	12%
Jindal Steel	JINDALST IN	1,214	Buy	1,280	15%	15%	24%	8%	15%	16%	8%	11%	12%
Lloyds Metals & Energy	LLOYDSME IN	1,143	Buy	1,600	36%	64%	77%	40%	41%	31%	20%	26%	23%

Company Name	Ticker	EPS (INR)			P/E (x)			P/B (x)			EV/EBITDA (x)		
		FY26F	FY27F	FY28F	FY26F	FY27F	FY28F	FY26F	FY27F	FY28F	FY26F	FY27F	FY28F
JSW Steel	JSTL IN	43.7	82.3	91.0	26.8	14.2	12.9	3.2	2.7	2.2	11.9	8.5	7.9
Tata Steel	TATA IN	10.2	14.7	16.2	20.6	13.4	12.2	2.5	2.2	2.0	9.2	7.2	6.8
Jindal Steel	JINDALST IN	40.5	80.6	101.9	27.5	13.9	11.1	2.2	1.9	1.7	14.9	9.1	7.6
Lloyds Metals & Energy	LLOYDSME IN	65.1	110.5	117.2	17.6	10.3	9.8	5.4	3.5	2.6	11.3	6.7	6.0

Note: CMP (current markets prices) are as of 20 Feb 2026. LMEL's volumes represent only iron ore quantities. Net debt for LMEL is calculated as sum of long-term debt, short-term debt less cash, further reduced by bank balances as reported

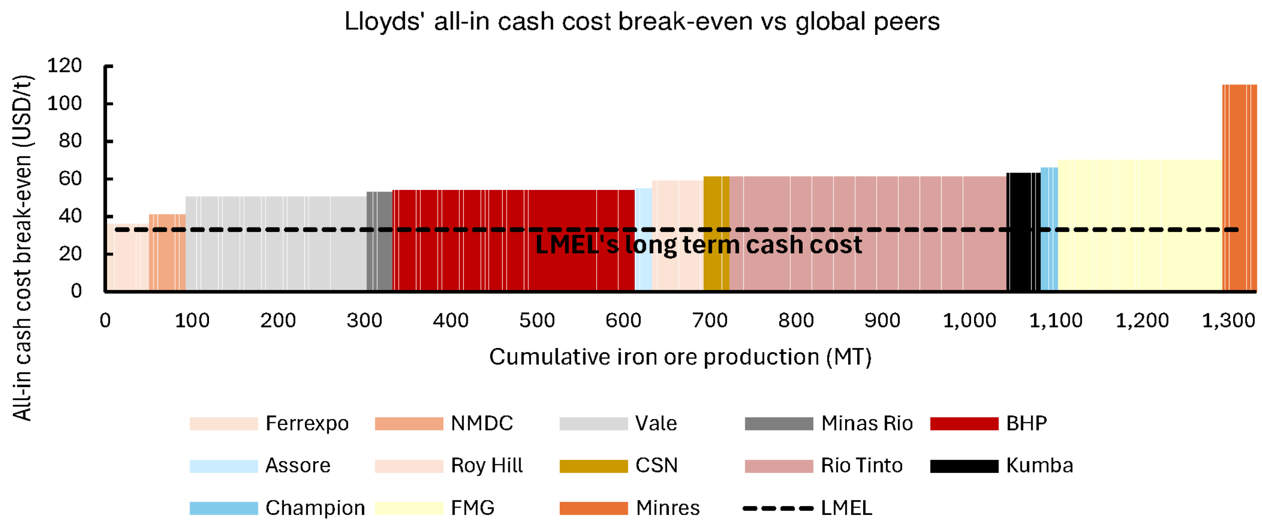
Source: Bloomberg Finance L.P., Nomura estimates

Fig. 2: LMEL- Nomura vs consensus estimates

	Nomura			Consensus			Difference (%)		
Consolidated (INR mn)	FY26F	FY27F	FY28F	FY26F	FY27F	FY28F	FY26F	FY27F	FY28F
Lloyds Metals and Energy									
Revenue	170,196	282,831	299,900	153,090	212,342	237,835	11%	33%	26%
EBITDA	57,279	96,920	108,769	54,422	77,299	93,520	5%	25%	16%
PAT	37,628	64,227	68,306	43,677	64,047	76,306	-14%	0%	-10%

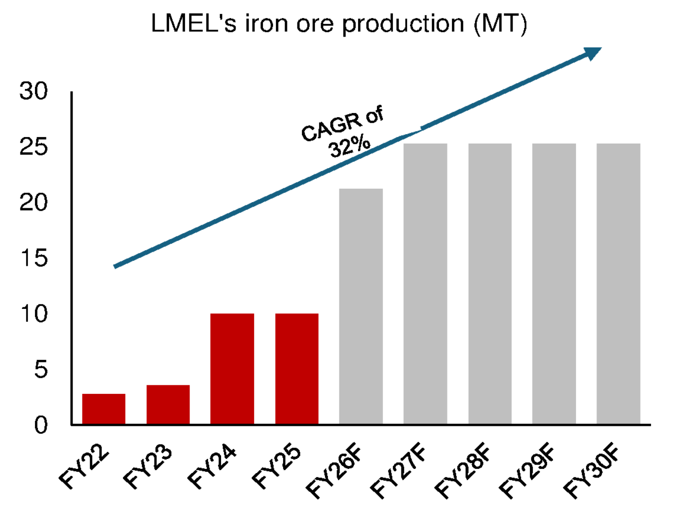
Source: Bloomberg Finance L.P., Nomura estimates

Fig. 3: LMEL sits in the first quartile of global iron ore cost curve



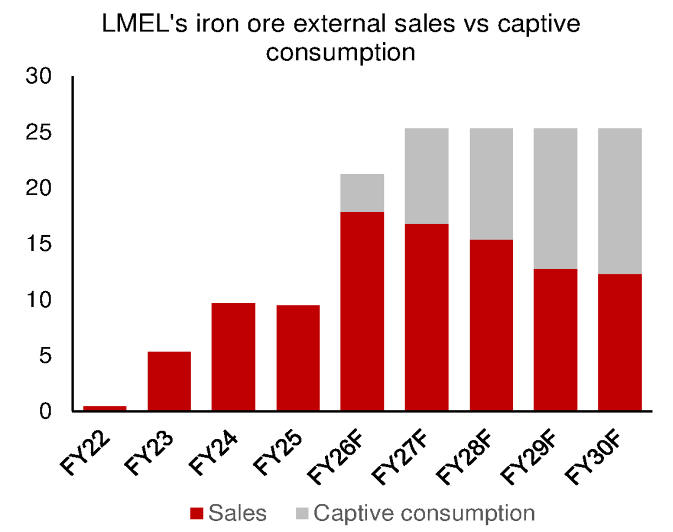
Source: Bloomberg Finance LP, company data, Nomura research

Fig. 4: Iron ore production has steadily increased over the years



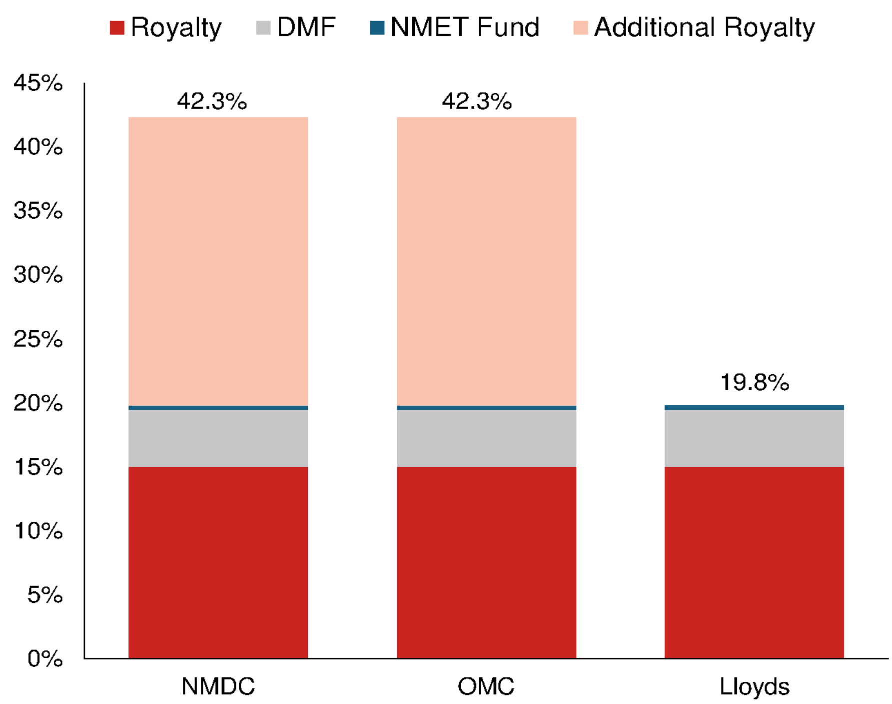
Source: Company data, Nomura estimates

Fig. 5: Rising iron ore volumes; captive reserves to exceed an average of 40% share in the forecast period



Source: Company data, Nomura estimates

Fig. 6: LMEL fairs better on royalty structure in comparison to state owned players



Source: IBM, Company data, Nomura research

Fig. 7: Grade-adjusted royalty of BHQ is less than for any steel-grade iron ore

Royalty for BHQ	INR/t
IBM notified price for below 45% Fe fines	443
IBM adjusted price (for 33% grade)	325
Royalty @15%	49
DMF @30% of Royalty	15
NMET Fund @2% of Royalty	6
Total royalty for BHQ	70
Assuming 34% yield	205

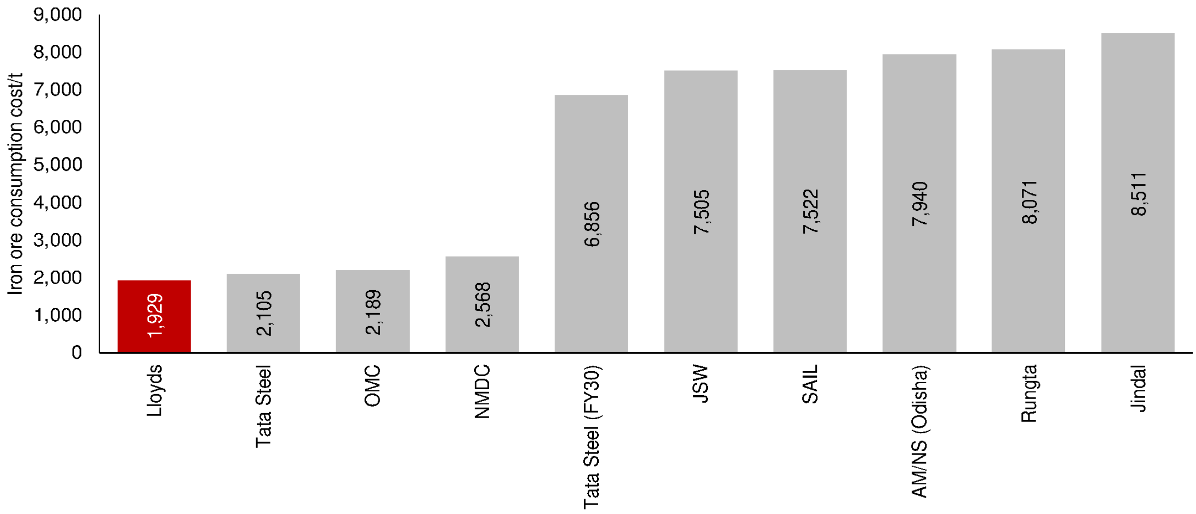
Note: IBM prices as of Oct'2025
Source: IBM, Nomura research

Fig. 8: Prevailing royalty on high-grade iron ore is well above INR1,000/t

Royalty for Fines	INR/t
IBM notified price for above 65% Fe fines	5,422
IBM adjusted price (for 67% grade)	5,589
Royalty @15%	838
DMF @30% of Royalty	251
NMET Fund @2% of Royalty	112
Total royalty for Fines	1,202

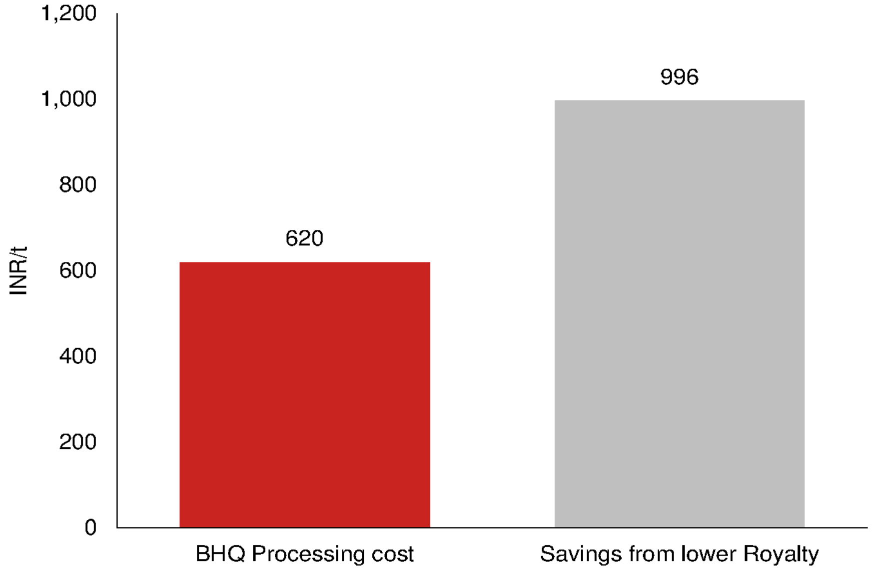
Note: IBM prices as of Oct'2025
Source: IBM, Nomura research

Fig. 9: We believe LMEL appears to be the lowest cost producer and is better placed than peers on account of low auction premium



Note: IBM prices as of Oct'2025
Source: IBM, Nomura research

Fig. 10: Lower royalty advantage outweighs higher processing costs



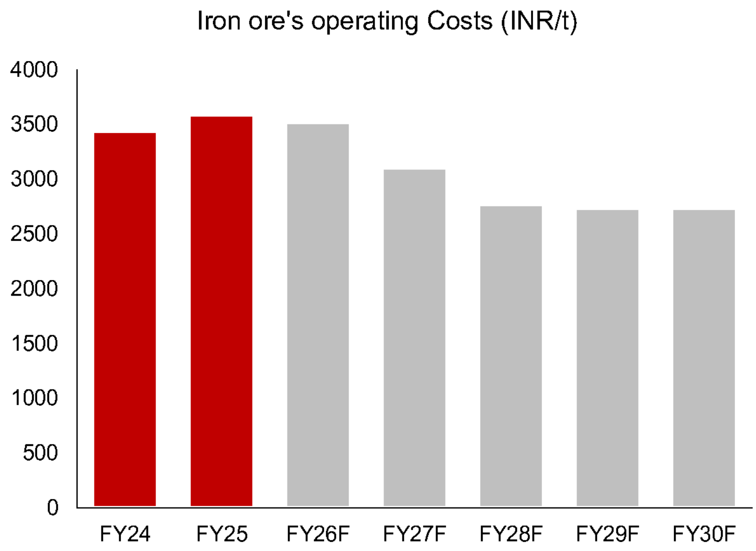
Source: Company data, Nomura research

Fig. 11: We expect average annual SGST refunds of ~INR6-8bn during FY29-39F, which should meaningfully enhance operating cash flows and shorten project payback periods

INR bn	FY25	FY26F	FY27F	FY28F	FY29F	FY30F	FY31F	FY32F	FY33F	FY34F	FY35F	FY36F	FY37F	FY38F	FY39F	Total
Capex	43	57	61	69												
Blended IPS	130%	130%	130%	130%												
Payback amount (INR mn)	55	74	80	90												
Annual recovery	5	5	5	5	5	5	5	5	5	5	5	5				
Annual recovery		6	6	6	6	6	6	6	6	6	6	6	6			
Annual recovery			7	7	7	7	7	7	7	7	7	7	7	7		
Annual recovery				7	7	7	7	7	7	7	7	7	7	7	7	
Potential Annual recovery	**5**	**11**	**17**	**25**	**25**	**25**	**25**	**25**	**25**	**25**	**25**	**25**	**20**	**14**	**7**	**299**
Nomura estimates:																
Realization potential (INR bn)	1	3	7	10	10	10	10	10	10	10	10	10	8	6	3	117
Confidence interval	11%	30%	40%	40%	40%	40%	40%	40%	40%	40%	40%	40%	40%	40%	40%	39%

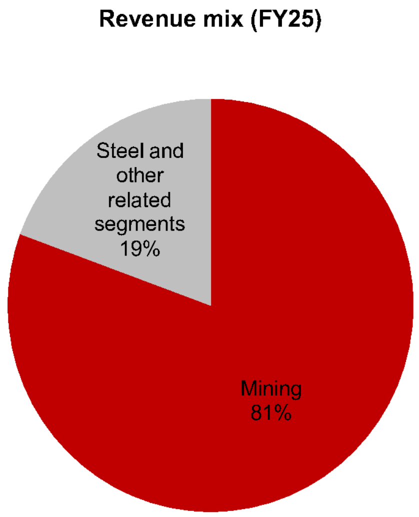
Source: Company data, Nomura estimates

Fig. 12: Proactive cost-optimization measures to reduce operating cost/t over the time, in our view



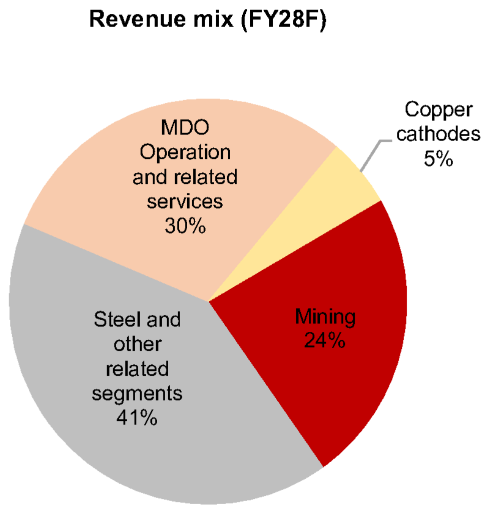
Source: Company data, Nomura estimates

Fig. 13: Evolving revenue mix from mining-led in FY25...



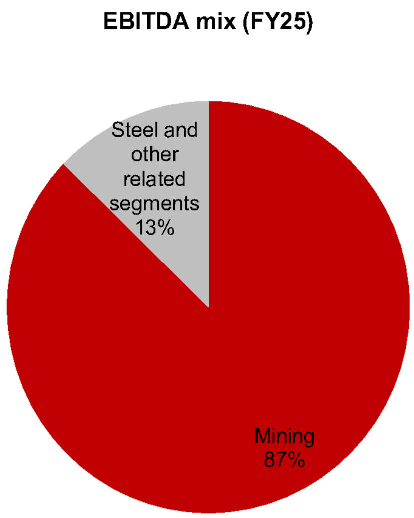
Source: Company data, Nomura research

Fig. 14: ...to diversified business portfolio in FY28F



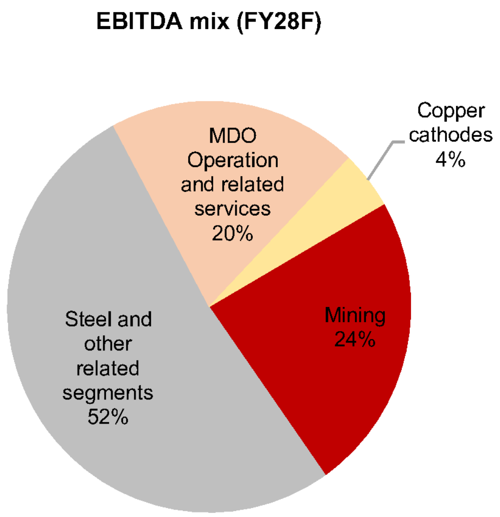
Source: Company data, Nomura estimates

Fig. 15: Similarly, EBITDA shifts from mining-driven...



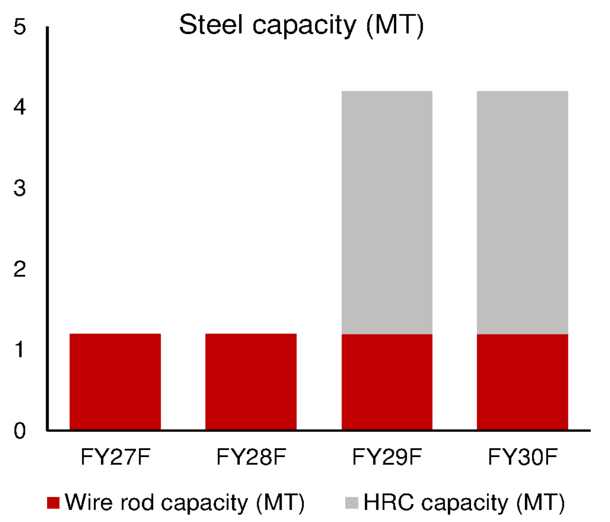
Source: Company data, Nomura research

Fig. 16: ...to multi-segment contributions in FY28F



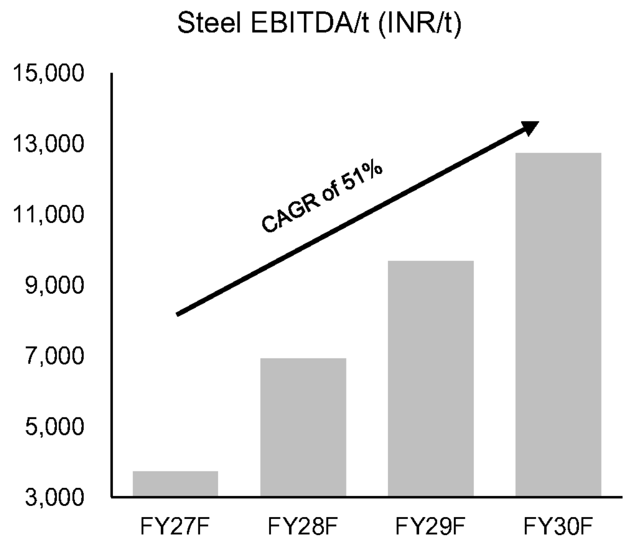
Source: Company data, Nomura estimates

Fig. 17: LMEL to have 4MT steel-making capacity by FY29F with 1.2MT wire rod facility coming by FY27F



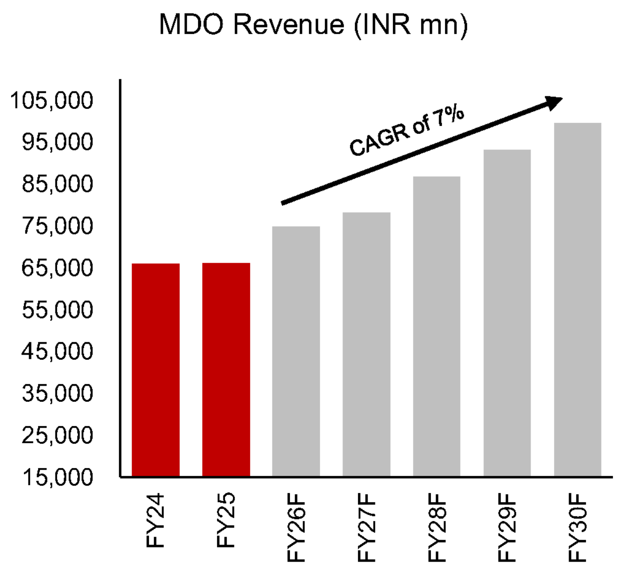
Source: Company data, Nomura estimates

Fig. 18: We expect LMEL to generate around INR7,000/t EBITDA by FY28F, improving to around INR13,000/t by FY30F



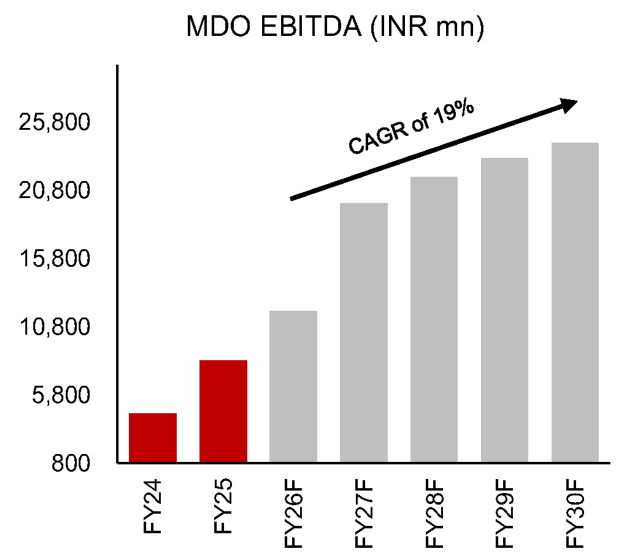
Source: Company data, Nomura estimates

Fig. 19: We expect MDO revenue to record a 7% CAGR over FY26-30F...



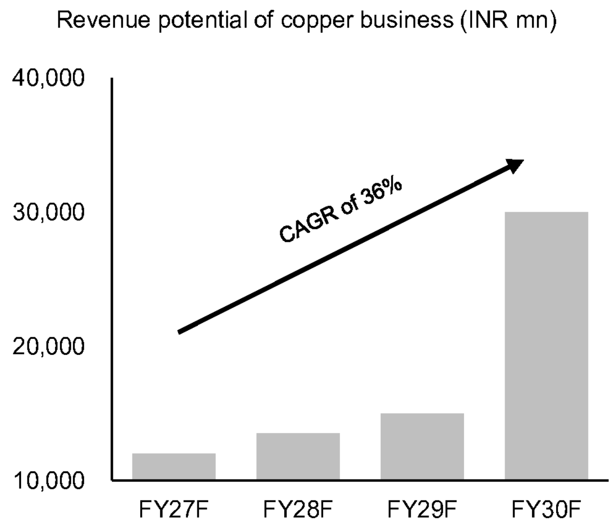
Note: Revenues here represent annualised figures for the segment
Source: Company data, Nomura estimates

Fig. 20: ...and we expect a 19% EBITDA CAGR over the same period with an average 23% EBITDA margin



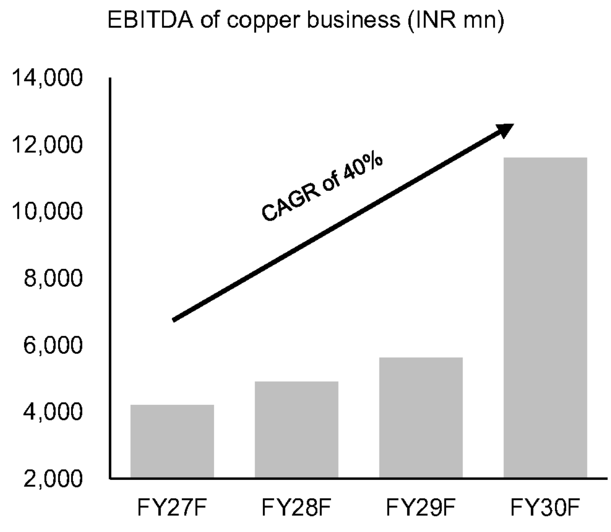
Note: EBITDA here represents annualised figures for the segment
Source: Company data, Nomura estimates

Fig. 21: We expect copper revenue to increase at a 36% CAGR over FY27-30F...



Source: Company data, Nomura estimates

Fig. 22: ...while we expect EBITDA to improve at a 40% CAGR over the same period

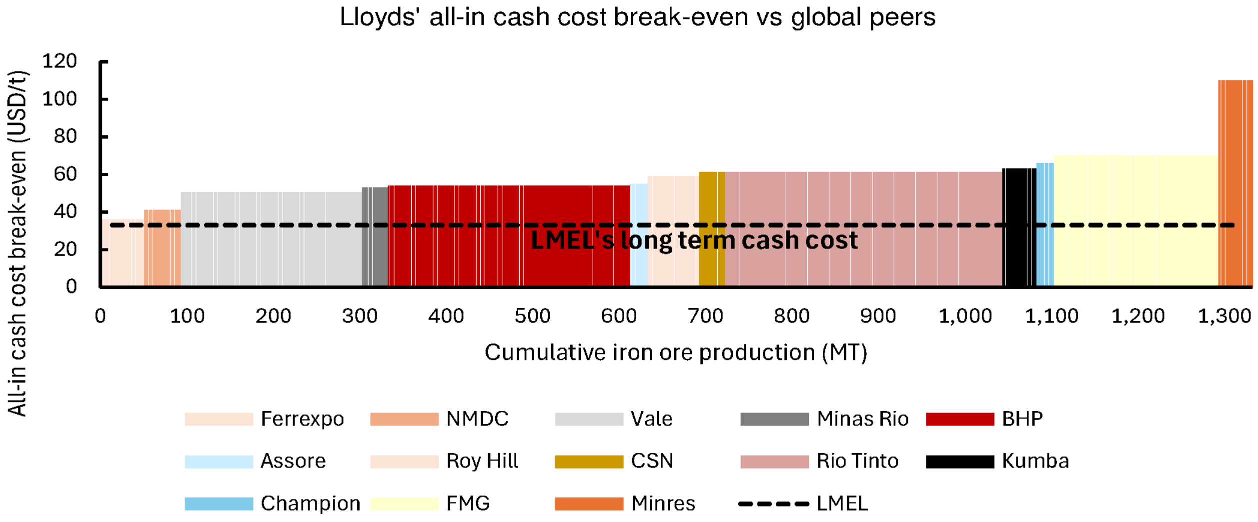


Source: Company data, Nomura estimates

Better placed on the cost curve

Iron ore has one of the steepest cost curves in the commodity space. As a result, the operating cost of a miner plays a major role in ROCE generated. Post the Mines & Minerals (Development and Regulation) Act, 2015 (MMDRA), mining costs have steady increased due to additional royalty and auction premiums in India. However, LMEL is well placed, in our view, as it is among the lowest-cost iron ore miners in the country, with access to non-auctioned iron ore reserves of around 400MT (grade adjusted). Further, the location of the Surjagarh iron ore mine provides strategical advantages. Being in the eastern part of Maharashtra puts the mines at an ideal distance to steel hubs across the country. With around 20MT of mining lease expected to expire each year until FY30F, we believe LMEL is the best-placed merchant miner in the country.

Fig. 23: LMEL sits in the first quartile of global iron ore cost curve

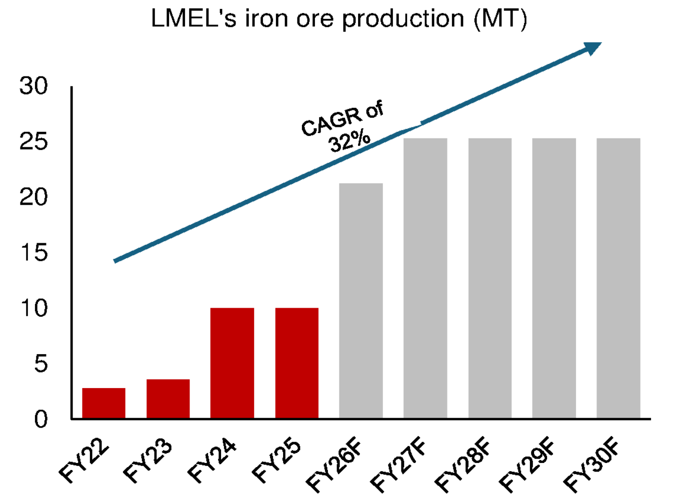


Source: Bloomberg Finance LP, company data, Nomura research

Access to high-grade low-cost iron ore until FY57

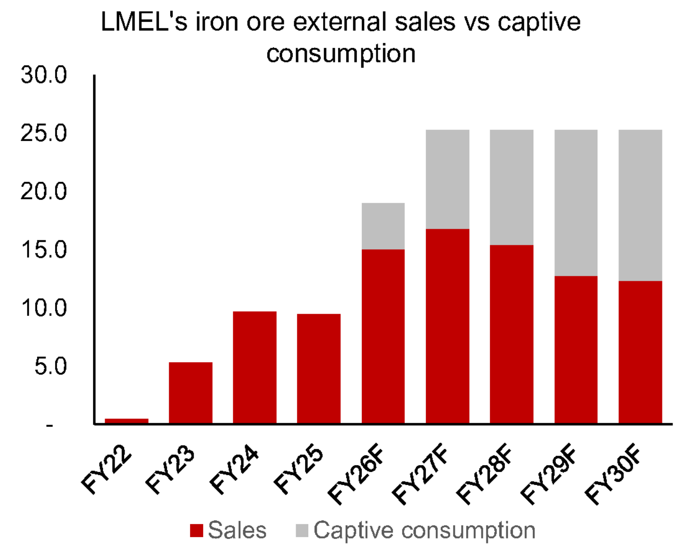
LMEL is one of the largest iron ore miners (by volume) in India, and presently the only production mine in Maharashtra. LMEL was allocated the Surjagarh Iron Ore Mine (SIOM) in 2007 with a mining lease of 20 years. However, Post MMDRA 2015, the lease life was automatically increased to 50 years, to 2057. SIOM holds 157MT of extractable reserves (DSO) and 701MT of BHQ (Banded Hematite Quartzite), with low silica-alumina content supporting structural cost advantages. Since the mine was allocated (before 2015) and not auctioned, LMEL is among the few merchant mines that does not have to pay an auction premium on the ore extracted. Given how auction premiums have increased recently, we believe this is a significant advantage.

Fig. 24: Iron ore production has steadily increased over the years



Source: Company data, Nomura estimates

Fig. 25: Rising iron ore volumes; captive reserves to exceed an average of 40% share in the forecast period



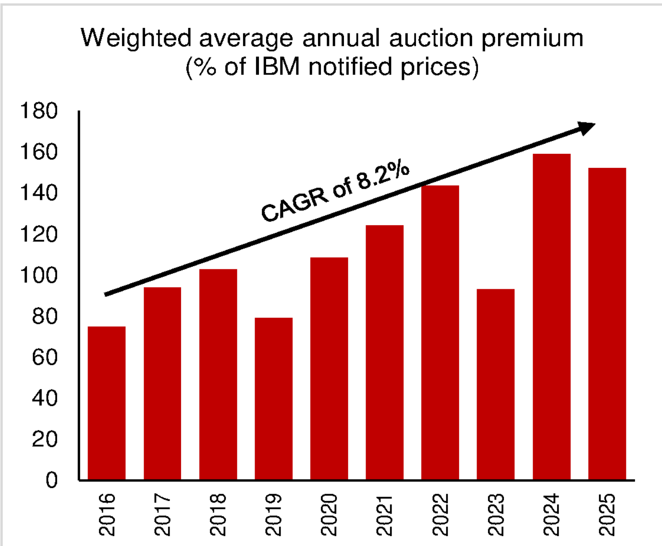
Source: Company data, Nomura estimates

Royalty regime: A structural cost advantage for LMEL

Iron ore royalty incidence in India has increased materially following the implementation of MMDRA 2015. Currently, the effective royalty burden stands at around 42.3%, comprising 15% ad-valorem royalty, 30% District Mineral Foundation (DMF) levy on royalty, 2% National Mineral Exploration Trust (NMET) levy on royalty, and an additional 22.5% royalty applicable to mining leases extended post-enactment of the Act.

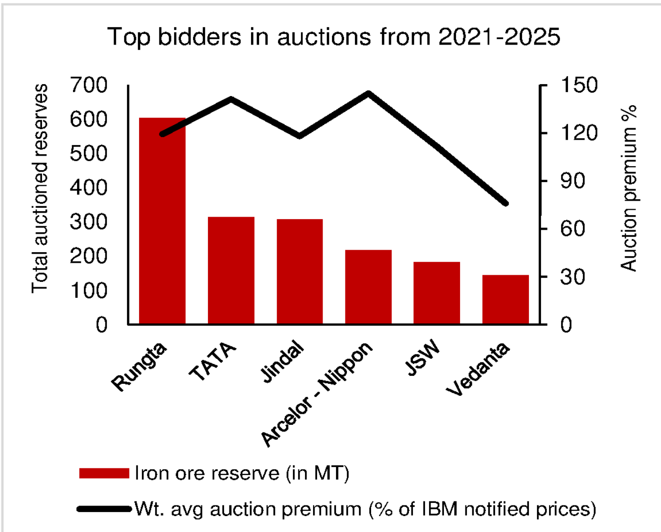
For auctioned mines, the cost burden is even higher. The weighted average auction premium rose sharply from 75% of IBM prices in 2016 to 159% in 2024. Post-2020 auctions have rendered merchant mining largely uneconomical, as statutory levies and auction premiums significantly compress margins.

Fig. 26: Surge observed in average annual auction premium (% of IBM notified prices)



Source: IBM, Nomura research

Fig. 27: Auction premium have resulted in higher raw material cost for leading bidders

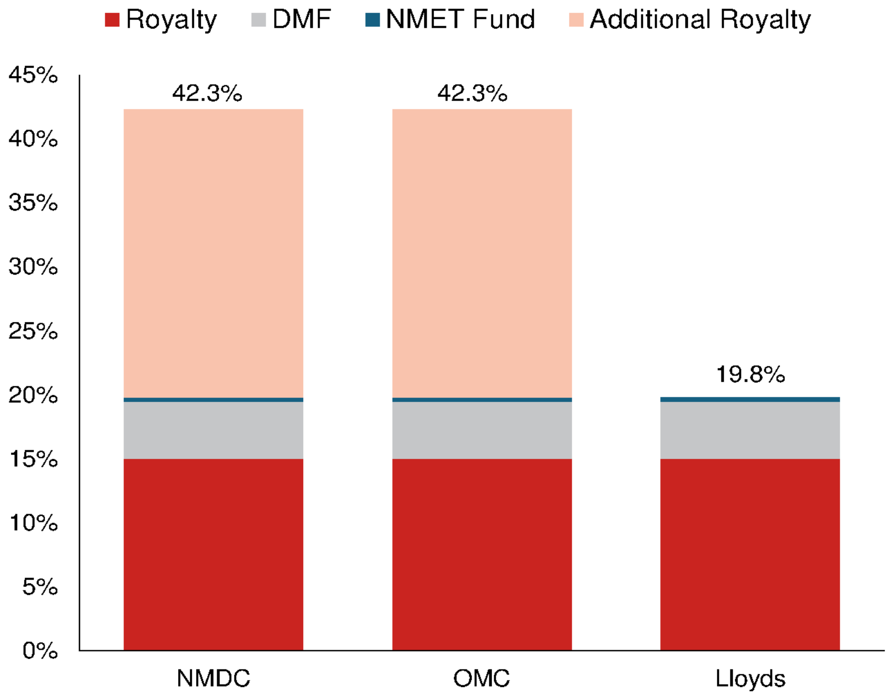


Note: *Rungta includes Rungta Mines and Rungta Sons Pvt Ltd.; Vedanta includes Vedanta and ESL Limited*
Source: IBM, Nomura research

In the case of captive mine allocations to public sector undertakings such as NMDC (Karnataka), dead rent is levied at 150% of royalty, resulting in a total royalty outgo of around INR2,300/t.

In contrast, LMEL's royalty incidence is materially lower at INR900/t, as it does not bear auction premiums or dead rent. This translates into an iron ore cost advantage of INR1,400/t versus market-linked procurement, which we expect to directly flow through to EBITDA/t in the steel business over the next few years.

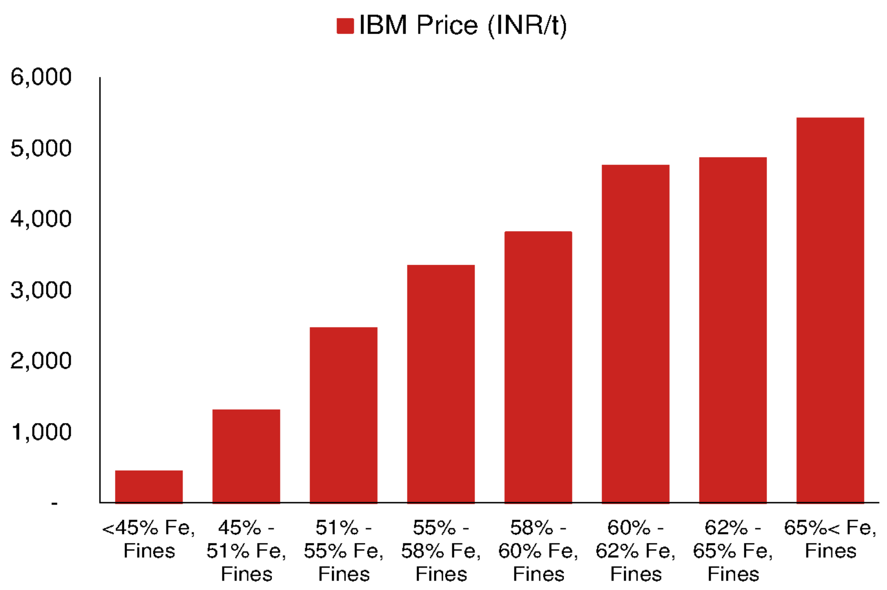
Fig. 28: LMEL fairs better on royalty structure in comparison to state owned players



Source: IBM, Company data, Nomura research

An additional structural benefit, in our view, arises from the absence of a defined royalty framework for BHQ. According to IBM prices notified in October 2025, BHQ is likely to fall in the lowest-grade band (below 45% Fe), implying a grade-adjusted royalty of INR70/t. Assuming a beneficiation yield of 34%, the effective royalty on BHQ, equivalent to >65% Fe iron ore, works out to INR 205/t, significantly lower than the prevailing royalty of INR1,200/t on high-grade iron ore.

Fig. 29: BHQ is likely to fall in the lowest grade band (below 45% Fe), implying a grade-adjusted royalty of INR70/t



Note: IBM prices as of October 2025
Source: IBM, Nomura research

Fig. 30: Grade-adjusted royalty of BHQ is less than any steel-grade iron ore

Royalty for BHQ	INR/t
IBM notified price for below 45% Fe fines	443
IBM adjusted price (for 33% grade)	325
Royalty @15%	49
DMF @30% of Royalty	15
NMET Fund @2% of Royalty	6
Total royalty for BHQ	70
Assuming 34% yield	205

Note: IBM prices as of Oct'2025
Source: IBM, Nomura research

Fig. 31: Prevailing royalty on high-grade iron ore is well above INR1,000/t

Royalty for Fines	INR/t
IBM notified price for above 65% Fe fines	5,422
IBM adjusted price (for 67% grade)	5,589
Royalty @15%	838
DMF @30% of Royalty	251
NMET Fund @2% of Royalty	112
Total royalty for Fines	1,202

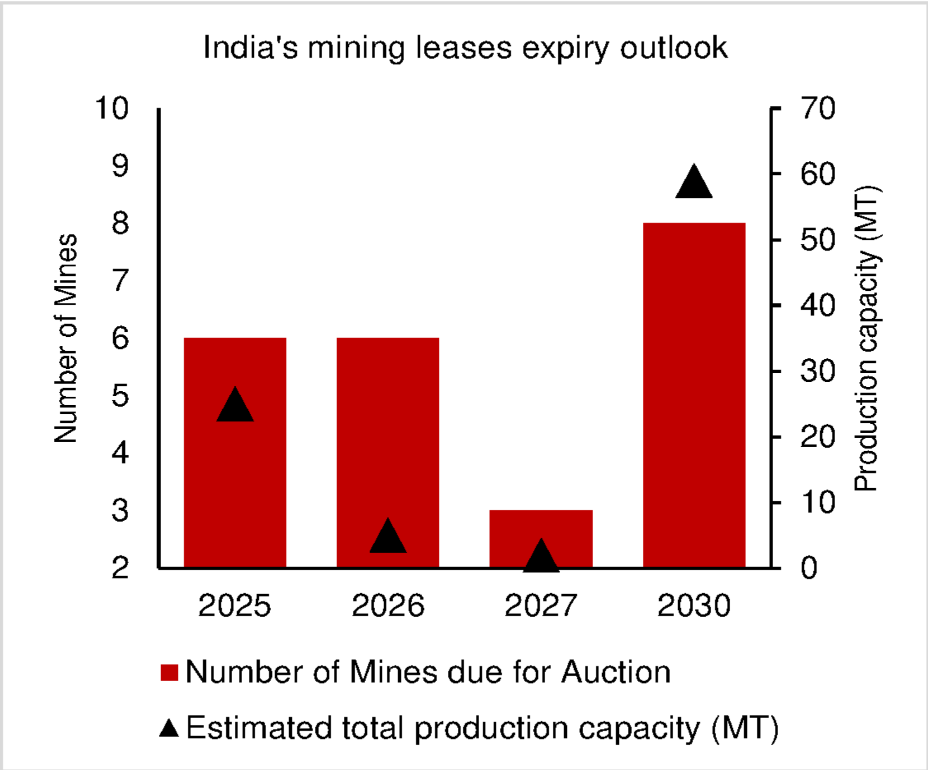
Note: IBM prices as of Oct'2025
Source: IBM, Nomura research

Mining costs to increase as more leases expire every year

MMDRA 2015 sets a cap on the lease term of the legacy mines in the country. The Act specifies that any lease granted before the commencement of the Act will be extended: (i) up to 31 March 2030 for minerals used for a captive purpose (specific end-use), or (ii) until the completion of the renewal period, or (iii) for a period of 50 years from the date of grant of such lease, whichever is later. Post expiration of the mining lease, the mine will be put up for auction, unlike in MMDR Act 1957, which allowed further extensions. This implies any mining lease granted before 1980 will lapse by 31 March 2030.

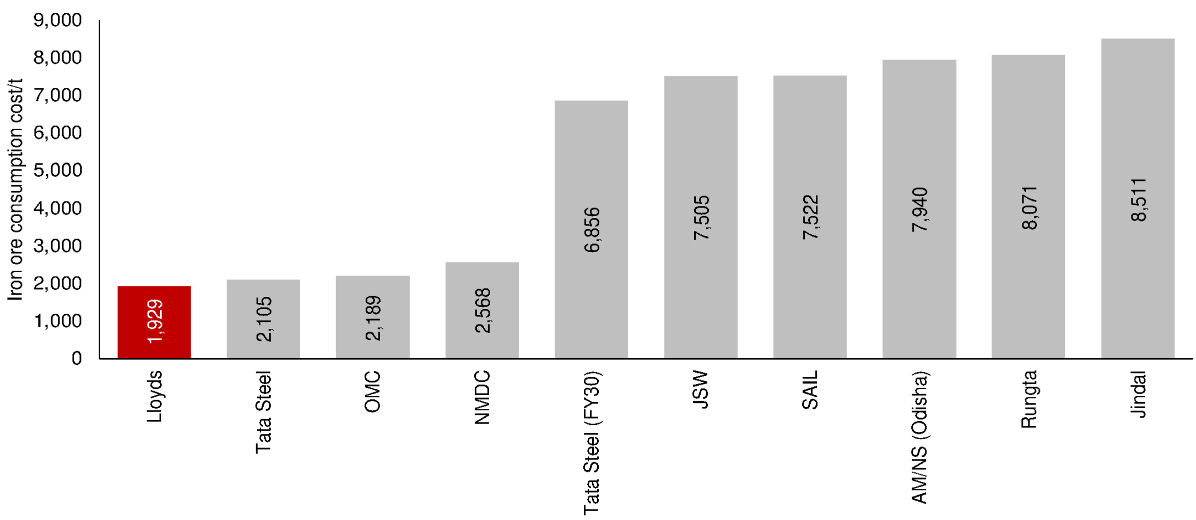
As a result of MMDRA 2015, we expect around 20MT of iron ore reserves to expire every year through FY30F. Since mine acquisition is only possible through the auction route now (outside inorganic expansion), this would translate into significantly increasing cost of mining due to auction premium. Even India's largest integrated steel player, Tata Steel (TATA IN, Buy), is set to lose the mining lease for 48% of its total reserves or 75% of its non-auctioned reserves, upon expiry in FY30. In that context, we believe LMEL is well-placed among peers and should deliver higher incremental ROCE.

Fig. 32: We expect around 20MT of iron ore reserves to expiry every year through FY30F



Source: Company data, Nomura research

Fig. 33: In our view, LMEL appears to be the lowest cost producer and is better placed than the peers on account of low auction premium



Note: IBM prices as of Oct'2025
Source: IBM, Nomura research

BHQ beneficiation to enhance ore grade

Banded Hematite Quartzite (BHQ) ores typically contain low iron content of 30-38% Fe and high silica levels of 45-50%, with alumina at 1-2%, making them unsuitable for direct steelmaking. However, through beneficiation, particularly in fine fractions, BHQ can be upgraded to ~65-66% Fe, enabling its use in pelletization and materially improving resource economics. LMEL holds around 701MT of BHQ reserves, along with extractable reserves of 157MT, according to the company's filings. The key differentiator at the SIOM, compared with other Indian BHQ deposits, lies in superior mineral liberation characteristics. Despite having a higher silica content in the feed relative to Meghatuburu Iron Ore Mine (MIOM), SIOM has demonstrated significantly higher beneficiation yields and produces a concentrate with materially lower combined silica and alumina content.

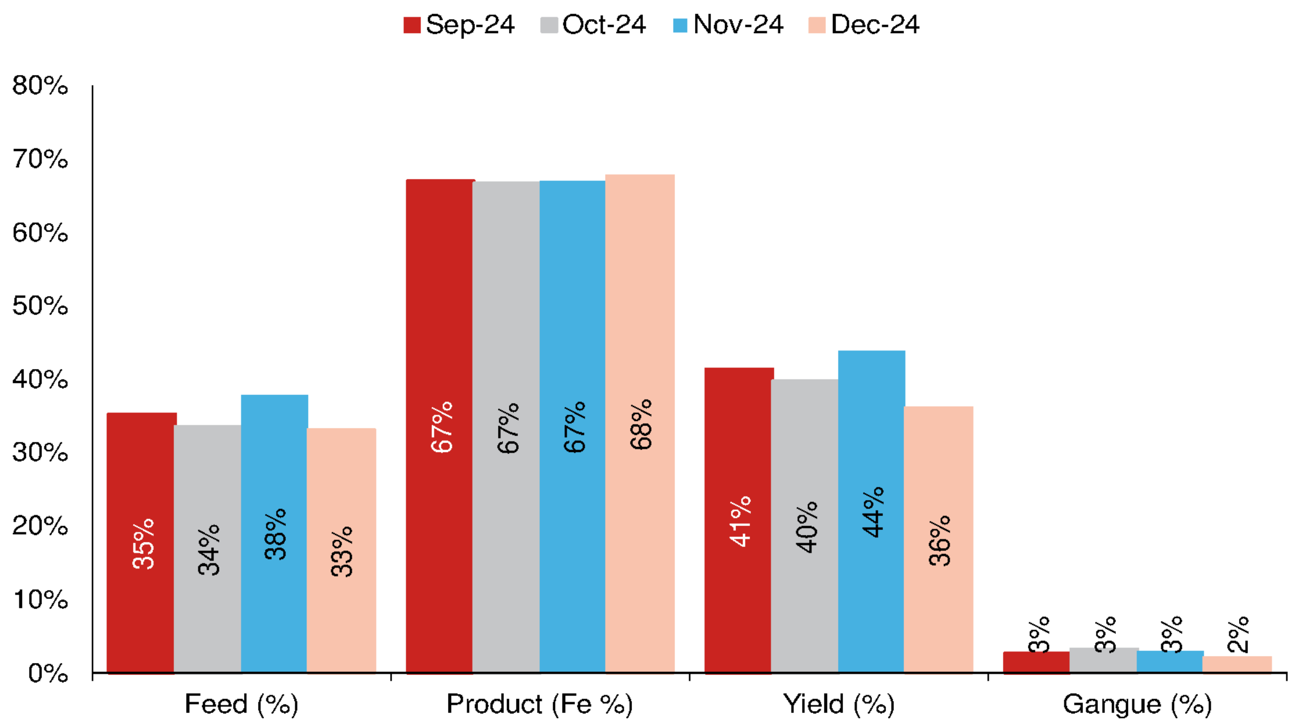
Fig. 34: LMEL is able to achieve similar yield to Chinese counterparts

Metso Results		
	Fe%	Yield%
Plant Feed	33.2	100.0
Concentrate	68.2	31.0
Tailing	17.1	69.0
China Results		
	Fe%	Yield%
Plant Feed	34.2	100.0
Concentrate	68.0	40.0
Tailing	9.1	60.0
LMEL Best Result		
	Fe%	Yield%
Plant Feed	35.7	100.0
Concentrate	68.0	41.2
Tailing	14.2	59.0

Source: Company data, Nomura research

To monetize this advantage, LMEL has partnered with Sinosteel (SINOSZ CH, Not rated) to develop India's first large-scale BHQ beneficiation plant with an initial input capacity of 45MT. Environmental approvals and land acquisition are under way, while the pilot plant has been successfully commissioned. Initial trials indicate a consistent yield of 38-40%, producing concentrate grade 65-66% Fe. The company plans to commission beneficiation modules of 15MT input annually, generating around 5MT of output per module, with full capacity translating to 15MT of concentrate. China's experience, where around 300MT of BHQ is beneficiated annually, validates the scalability and commercial viability of this model, in our view.

Fig. 35: LMEL has been able to consistently deliver over 40% yield, as indicated by the results of BHQ beneficiation pilot project



Source: Company data, Nomura research

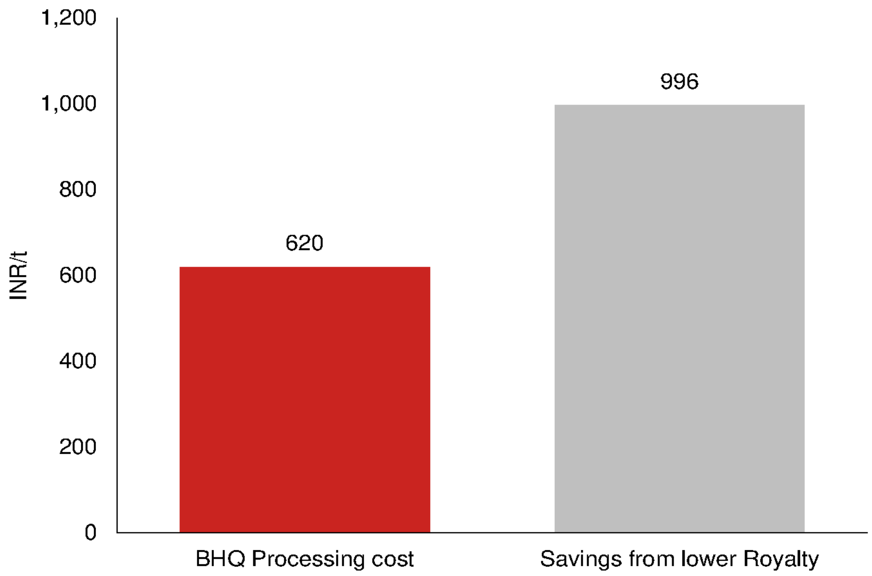
First in India; widely used globally

BHQ, internationally referred to as banded iron formation (BIF), is widely beneficiated across major iron ore producing regions such as China and Australia to upgrade low-grade resources into saleable concentrates. In China, state-owned miners including Ansteel and Baowu Group have successfully employed fine grinding, high intensity magnetic separation and reverse flotation to upgrade ~30-40% Fe banded ores to 63-65% Fe concentrates, enabling sustained utilization of domestic resources despite higher processing intensity. In Australia, large-scale beneficiation led projects such as FMG's (FMG AU, Not rated) Iron Bridge and CITIC Pacific's (0267 HK, Not rated) Sino Iron demonstrate the commercial viability of processing banded ores, producing high-grade concentrates albeit at higher capital and operating costs, in exchange for long mine life and resource security.

Lower royalty to offset the higher processing cost

LMEL is incurring INR50bn in capex for the BHQ beneficiation plant, with full capacity of 15MT of concentrate, according to management. Further, we estimate INR620/t processing cost over and above the fines mining cost. However, BHQ is likely to fall in the lowest grade band (below 45% Fe), implying a grade-adjusted (>65% Fe) royalty of INR205/t at a beneficiation yield of 34%. This is INR1,000/t lower than prevailing royalty of INR1,202/t on high-grade iron ore, more than offsetting any additional processing cost.

Fig. 36: Lower royalty advantage outweighs higher processing costs



Source: Company data, Nomura research

IPS scheme: A structural enabler of higher capex and cash flows

Under the Maharashtra government's Industrial Promotion Subsidy (IPS) scheme, the company is eligible for substantial capex-linked incentives in the form of state GST (SGST) refunds. Specifically, it qualifies for subsidies equivalent to 115% of the Chandrapur (Ghugus) project cost and 150% of the Gadchiroli (Konsari) project cost, including beneficiation facilities. On a blended basis, this translates into IPS entitlements of approximately 130% of eligible capex, to be disbursed over a multi-year period.

We expect the company to incur annual capex of ~INR60bn during FY26-28F. At the blended IPS rate of ~130%, this implies cumulative SGST recoveries of ~INR53bn over the same period. Given that LMEL operates in a relatively underdeveloped region, the likelihood of realizing IPS benefits appears to us to be higher. However, in light of historical uncertainties around government-led subsidy disbursements, we conservatively factor in only 40% of the potential recoveries. Accordingly, instead of INR53bn, we model ~INR30bn of IPS inflows over FY26-28F, which should materially lower the effective capital burden.

Beyond the initial capex phase, we expect annual SGST refunds of ~INR8-10bn during FY29-39F, which should meaningfully enhance operating cash flows and shorten project payback periods in Maharashtra, in our view. Any incremental capex beyond FY27 would further extend the duration and quantum of IPS benefits.

Fig. 37: We expect annual SGST refunds of ~INR8-10bn during FY29–FY39F, which should meaningfully enhance operating cash flows and shorten project payback periods

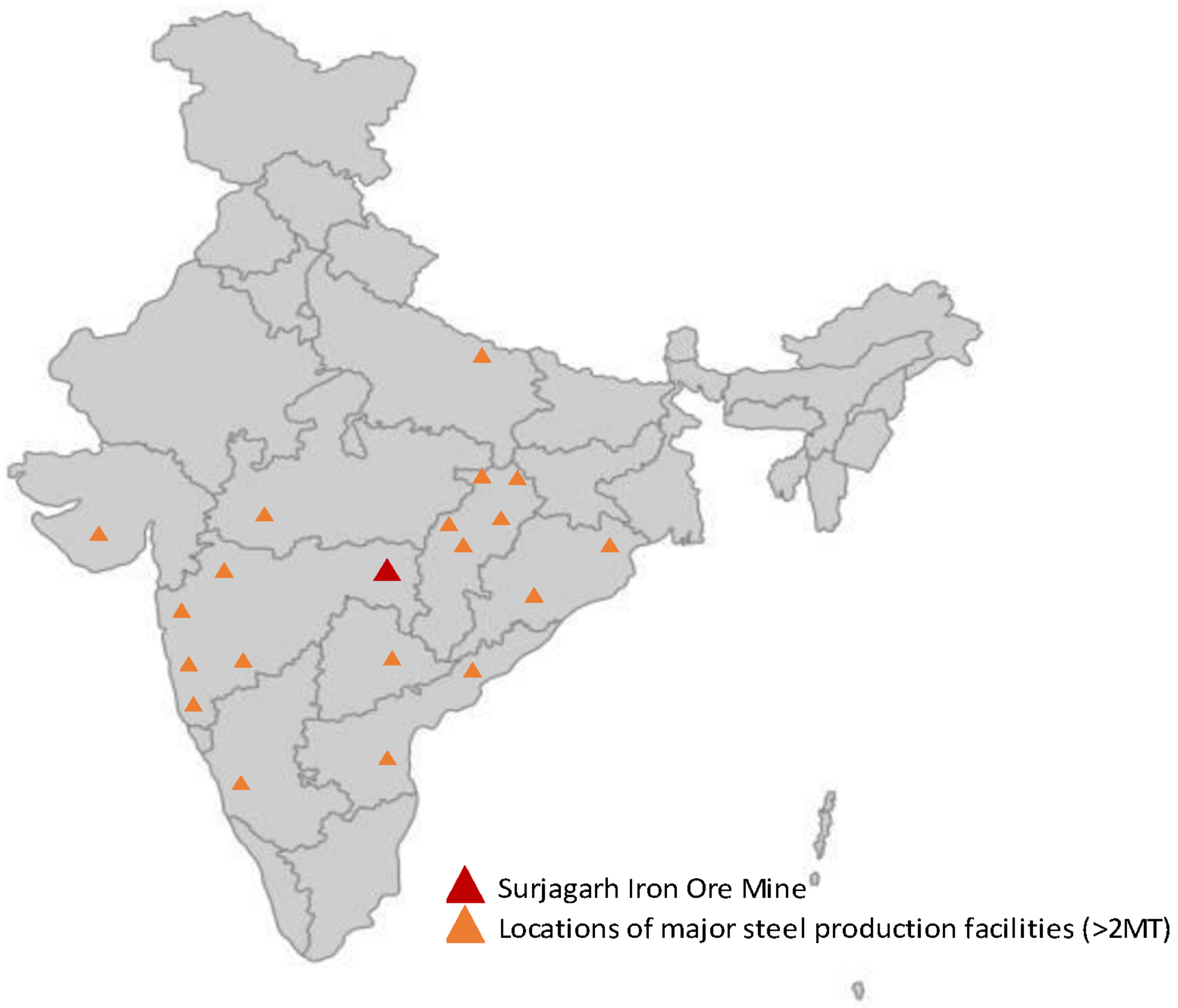
INR bn	FY25	FY26F	FY27F	FY28F	FY29F	FY30F	FY31F	FY32F	FY33F	FY34F	FY35F	FY36F	FY37F	FY38F	FY39F	Total
Capex	43	57	61	69												
Blended IPS	130%	130%	130%	130%												
Payback amount (INR mn)	55	74	80	90												
Annual recovery	5	5	5	5	5	5	5	5	5	5	5	5				
Annual recovery		6	6	6	6	6	6	6	6	6	6	6	6			
Annual recovery			7	7	7	7	7	7	7	7	7	7	7	7		
Annual recovery				7	7	7	7	7	7	7	7	7	7	7	7	
Potential Annual recovery	**5**	**11**	**17**	**25**	**25**	**25**	**25**	**25**	**25**	**25**	**25**	**25**	**20**	**14**	**7**	**299**
Nomura estimates:																
Realization potential (INR bn)	1	3	7	10	10	10	10	10	10	10	10	10	8	6	3	117
Confidence interval	11%	30%	40%	40%	40%	40%	40%	40%	40%	40%	40%	40%	40%	40%	40%	39%

Source: Company data, Nomura estimates

Strategically located

Being in the eastern part of Maharashtra puts the mines at an ideal distance to steel hubs across the country, in our view. States with iron ore supply deficits, including Gujarat, Andhra Pradesh, and Tamil Nadu, present significant opportunities for LMEL due to their strategic location within freight-friendly zones (<1,500 km). These states collectively account for ~40MT of overall iron ore demand, on our estimates, with merchant demand constituting 45% of this total demand. Further, the merchant iron ore demand from Maharashtra, Andhra Pradesh, Gujarat, and Tamil Nadu, which we estimate at 28MT, aligns seamlessly with LMEL's plan to evacuate 21MT of iron ore. LMEL's robust logistics network, coupled with its production capacity, positions it as a key player capable of fulfilling the substantial demand from these states, in our view.

Fig. 38: Being in the eastern part of Maharashtra puts the mines at an ideal distance to steel hubs across the country



Source: Company data, Nomura research

Global iron ore supply expansion

Over the next five years, global iron ore supply is expected to increase by ~223MT (based on company announcements [see *Fig. 39*), equivalent to ~10% of CY23 production. This strong growth would be underpinned by large-scale projects such as the Simandou mine in Guinea (60MT in Phase I, with an additional 60MT in Phase II), Rio Tinto's (RIO AU, Not rated) expansion in Australia and Africa, and NMDC's (NMDC IN, Not rated) planned 50MT capacity increase in India. In our base-case scenario, we only incorporate expansion plans (both brownfield and greenfield) and do not account for replacement projects. Furthermore, we only build in Simandou Phase I, given the persistent delays around Phase II, though earlier commissioning would present a downside risk to iron ore prices. With China's steel output likely to decline due to the country's recent anti-involution stance, we expect the global iron ore market to shift into structural surplus.

Fig. 39: Over the next five years, around 10% of global production or ~223MT of low-cost high-grade iron ore will enter the seaborne market

Project	Country	Location	Company	Capacity (MT)	Announced	Classification	Type	Status (2025)
Iron Bridge Stage 2	Australia	Pilbara, WA	Fortescue / Formosa Steel	22.0	2019	Brownfield	Expansion	Under construction/delayed (full 22 Mtpa by 2028)
Marampa Mines (Marampa Blue)	Sierra Leone	Port Loko	Gerald Group	3.8	2021	Greenfield	New development	Early development
Rhodes Ridge	Australia	Pilbara, WA	Rio Tinto / Wright Prospecting	40.0	2023	Greenfield	New mine	Feasibility (PFS underway, ore by 2030)
Vale Jinnan Sohar Concentrator	Oman	Sohar Port	Vale / Jinnan	18.0	2023	Greenfield	New development	Under construction (18 Mtpa feed, op. ~2027)
Simandou (SimFer, Blocks 3&4)	Guinea	Simandou	Rio Tinto / Baowu / WCS / Govt	60.0	2023	Greenfield	New development	Under construction (60 Mtpa by 2028)
NMDC Expansion Program	India	Chhattisgarh, Karnataka	NMDC	50.0	2024	Expansion	Capacity expansion	Planning (target 100 Mtpa by 2030)
BMM Iron-Ore Plant (tailings)	South Africa	Northern Cape	Vedanta (BMM)	9.0	2024	Brownfield	New product line	Near completion (700 ktpa FY26)
ArcelorMittal Liberia (Nimba)	Liberia	Nimba County	ArcelorMittal	20.0	2024	Expansion	Expansion (20 Mtpa)	Under commissioning (20 Mt by 2025)
Upcoming Expansion				**222.8**				
Project	**Country**	**Location**	**Company**	**Capacity (MT)**	**Announced**	**Classification**	**Type**	**Status (2025)**
Brockman Syncline 1 (BS1)	Australia	Pilbara, WA	Rio Tinto	34.0	2025	Replacement	New mine	Under construction (first ore ~2027)
Hope Downs 1 Sustaining	Australia	Pilbara, WA	Rio Tinto / Hancock		2025	Replacement	Expansion	Approvals pending
West Angelas Sustaining	Australia	Pilbara, WA	Rio Tinto	34.0	2025	Replacement	Expansion	Approvals pending
Samarco Restart/Expansion	Brazil	Minas Gerais/Espírito Santo	Samarco (Vale / BHP)	26.0	2025	Replacement	Restart/Expansion	Announced (target 26–27 Mtpa by 2028)
Total Replacement				**94.0**				

Source: Company data, Nomura research

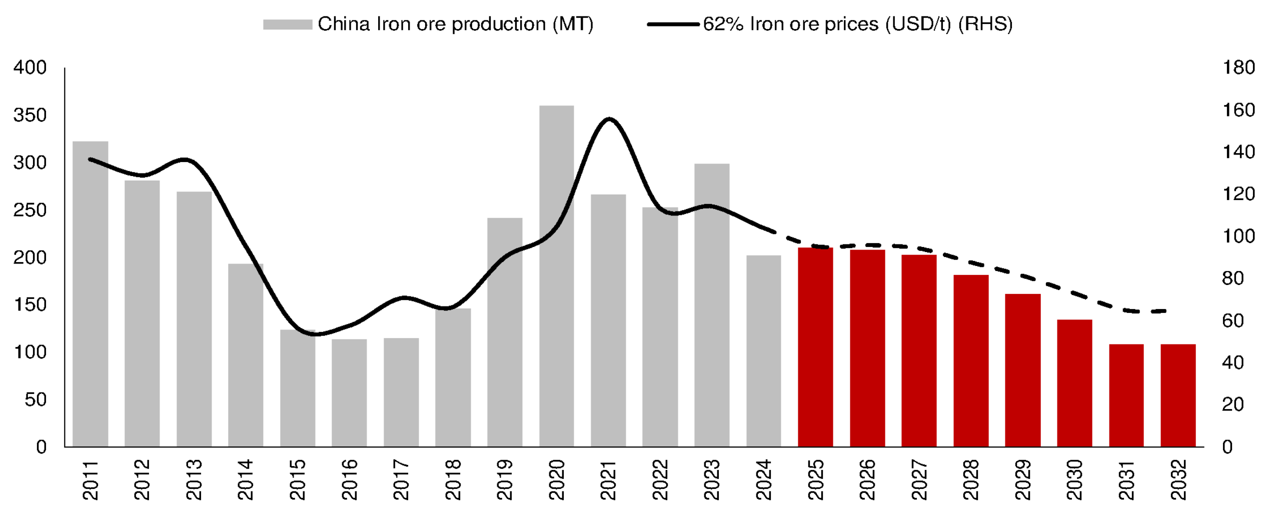
Fig. 40: As a result, the dependence on high-cost Chinese iron ore should reduce as the share of low-cost producers increase

Production (MT)	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024F	2025F	2026F	2027F	2028F	2029F	2030F	2031F	2032F	2033F
Australia	488	525	615	724	811	842	883	901	919	912	924	944	953	953	953	953	953	958	964	969	975	975	975
Brazil	391	367	364	399	423	431	436	448	390	388	399	420	418	418	418	418	418	418	418	418	418	418	418
China	322	281	269	193	124	114	115	146	241	360	266	253	298	**202**	**210**	**208**	**202**	**181**	**161**	**134**	**108**	**108**	**109**
India	196	140	136	130	143	185	202	205	233	204	249	248	278	278	278	278	278	278	278	291	303	316	328
CIS	203	201	206	200	195	189	178	180	185	179	229	175	177	177	177	177	177	177	177	177	177	177	177
South Africa	53	57	72	67	61	68	62	62	71	56	73	66	66	66	66	70	75	75	75	75	75	75	75
Canada	37	39	42	44	46	49	49	52	59	60	58	69	59	59	59	59	59	59	59	59	59	59	59
United States	54	53	52	54	43	42	48	49	48	38	49	46	44	44	44	44	44	44	44	44	44	44	44
RoW	179	188	225	222	170	174	195	185	192	273	229	235	230	230	230	235	243	268	292	312	331	331	331
Depletion														*-25*	*-24*	*-24*	*-24*	*-24*	*-24*	*-24*	*-25*	*-25*	*-25*
World	**1,922**	**1,851**	**1,981**	**2,033**	**2,015**	**2,093**	**2,167**	**2,228**	**2,336**	**2,470**	**2,477**	**2,456**	**2,522**	**2,400**	**2,410**	**2,417**	**2,425**	**2,434**	**2,443**	**2,454**	**2,465**	**2,477**	**2,490**

Source: Bloomberg Finance LP, World Steel Association, Nomura research

Iron ore has one of the steepest cost curves in the commodity space. Australia- and Brazil-based miners are at the lowest end of the cost curve, whereas China-based high-cost producers act as marginal miners. Global iron ore prices are influenced by the share of these marginal producers in the global production. For instance during 2015-18, the share of China-based iron ore miners declined to <10%, resulting in a drop in the average iron ore price, which fell to USD64/t against USD135/t in 2013, when the share was around 14%. World Steel Association data suggest that steel production is moderating across the world. We believe production cuts in China should lead to lower demand for higher-cost Chinese iron ore. As a result, we expect global iron ore prices to remain below USD100/t over the next couple of years (FY27-28F).

Fig. 41: As the demand from marginal iron ore producers such as China declines, we expect global iron ore prices to moderate



Source: Bloomberg Finance LP, World Steel Association, Nomura research

India iron ore market to remain in surplus

India remains a surplus iron ore producer. In FY25, production (ex-pellets) reached 289MT (up 4% y-y), against domestic consumption of around 271MT and net exports of around 17MT. Rising crude steel capacity, largely via the BF-BOF route, will lift iron ore demand to ~340MT by FY30F, supporting ~200MT of crude steel production. Supply, however, should keep pace, with production expected by management to reach ~390MT, enabling exports of ~45MT. Incremental supply will be led by NMDC (+50MT), Tata Steel (+13MT), and a combined ~24mt from LMEL and Vedanta (VEDL IN, Not rated). This implies India will comfortably meet domestic demand while maintaining export potential.

Fig. 42: Upcoming expansion plans suggests India will comfortably meet domestic demand while maintaining export potential

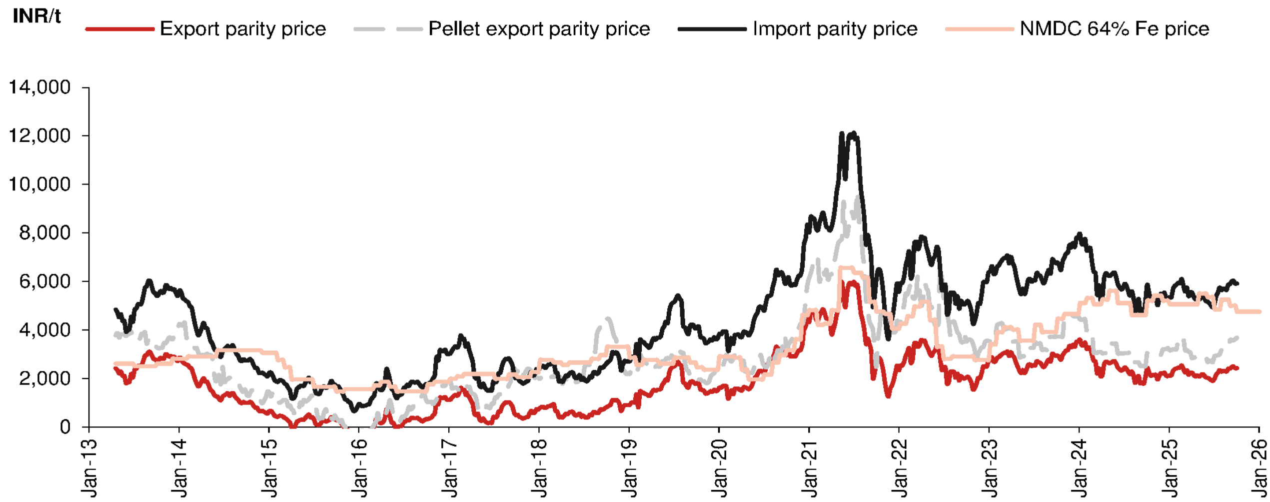
Company	Project	Timeline	Location	Description	Capacity Impact / Target
NMDC	Scale-up push	FY26	Bailadila & other deposits (Chhattisgarh, Karnataka)	Target production ~55MTPA; expansion of existing deposits and new slurry pipeline works	+10 MT
Lloyds Metals	Surjagarh (phase 1)	FY26	Gadchiroli, Maharashtra	Phase 1 ramp-up to ~26MTPA; beneficiation and pipeline construction	Initial 26MTPA (Phase 1)
SAIL	Mining & Capex Push	FY26	Jharkhand, Odisha, Chhattisgarh	Increased mine development to support expansion to 35MT steel by 2030	Incremental captive ore supply
Tata Steel	Kalamang West & Gandalpada	FY27-29	Odisha / Jharkhand	Development of new captive mines to support steel capacity expansion	Support 35-40MT steel target
Lloyds Metals	Surjagarh Full Build	FY27-30	Gadchiroli, Maharashtra	Full buildout to 55MTPA including beneficiation and pipeline completion	Ramp to 55MT (phased)
JSW / APMDC	Beneficiation Project	FY26-29	Prakasam, Andhra Pradesh	Low-grade ore beneficiation plant; regional feed for JSW operations	Reduces reliance on imports
NMDC	Depsits 3, 8, Malongtoli, Ramandurg, Gadchiroli	FY26-30	Multiple states (Odisha, Chhattisgarh, Jharkhand, Maharashtra)	Mine reservation and expansion projects under planning; aim for 100MTPA	Staged addition FY26-30

Source: Company data, Nomura research

Import parity to dictate domestic iron ore prices

India iron ore prices oscillate between import and export parity prices, with strong correlations of 0.83 and 0.79, respectively. When iron ore prices are >USD100/t, it is the pellet export parity that dictates pricing. Meanwhile, import parity prices for west coast based steel mills are dominant at <USD100/t. This is largely because India imposes a 30% export duty on iron ore with Fe content >58%, while pellets are exempt from export duty, making direct exports of iron ore unviable. With we believe global iron ore prices would remain <USD100/t, we believe import parity prices will dictate domestic prices; the spot NMDC 64% Fe price is trading at a 12% discount. We expect iron ore prices to remain below import parity prices but much higher than the pellet export parity prices, supported by domestic demand.

Fig. 43: India iron ore prices oscillate between import and export parity prices; we expect domestic iron ore prices to remain below import parity prices



Source: Bloomberg Finance LP, BigMint, Nomura research

Moving towards vertical integration

The company is progressively deepening its presence across the ferrous value chain through the development of fully integrated steel manufacturing facilities in Chandrapur and Gadchiroli. With a planned capital outlay of INR330bn, the company is investing in a comprehensive downstream ecosystem, including a 45MT BHQ beneficiation facility, a 12MT pellet plant, slurry pipelines of 85km and 190km, a 1.2MT wire rod mill, and a 3MT carbon steel plant. With access to low-cost iron ore in India's biggest steel-consuming state (Maharashtra), the progression seems prudent. The strategic emphasis on beneficiation, slurry transportation, and captive steelmaking is expected by management to materially enhance value realization and structurally improve margins. As these assets are progressively commissioned, the company is well positioned to deliver industry-leading EBITDA margins, in our view. We expect the steel business to generate around INR14,000/t EBITDA by FY30F as the capacities fully ramp up.

Fig. 44: The company is investing in a comprehensive downstream ecosystem with a planned outlay of around ~INR330bn

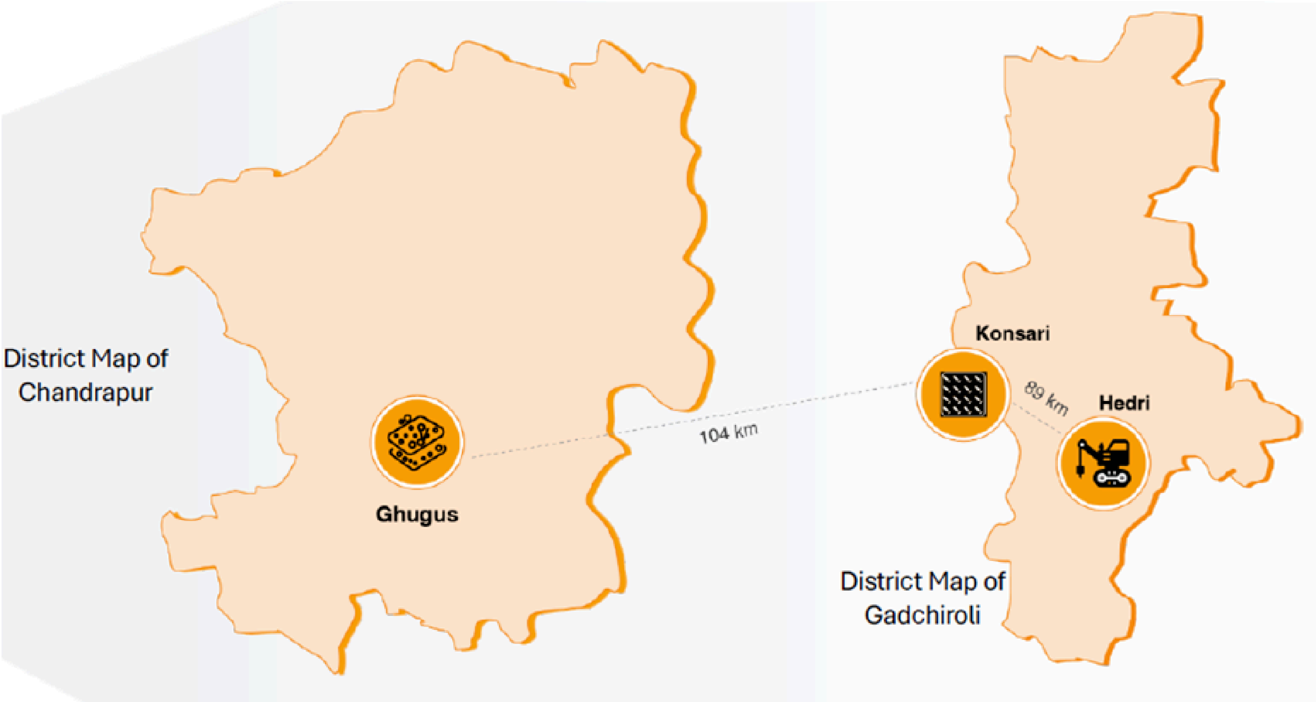
Project	Date	Amount (INR bn)	Existing Capacity (mtpa)	Capacity Addition (mtpa)	Total Capacity (mtpa)	Expected Commissoning	Status
Expanding Sponge Iron Capacity	20/01/2023	2.3	0.3	0.1	0.3	1HFY24	Completed
Mining Capex	16/03/2023	3.6	3.0	7.0	10.0	FY24	Completed
Pellet Plant with Slurry Pipeline	25/04/2023	24.1	0.0	4.0	4.0	FY26E	
Expansion of Mining Capacity	08/12/2023	0.0	10.0	45.0	55.0	FY26E	
Wire Rod Project	25/04/2023	22.8	0.0	0.5	0.5	FY27E	
Enhancement of Sponge Iron Capacity (Part of Wire Rod)	23/10/2023	0.0	0.3	0.7	1.2	FY27E	
Pellet Plant with Slurry Pipeline	08/12/2023	21.0	4.0	4.0	8.0	FY27E	
Enhancement of Wire Rod Project with BF and Coke Oven	23/10/2023	18.7	0.5	0.7	1.2	FY28E	
Integrated Steel Plant	08/12/2023	160.0	0.0	3.0	3.0	FY29E	
Banded Hematite Quartzite ("BHQ") Beneficiation Plant	08/12/2023	50.0	0.0	45.0	45.0	FY29E	
Pellet Plant with Slurry Pipeline	22/01/2024	22.5	8.0	4.0	12.0	FY29E	

Source: Company data, Nomura research

Building infrastructure to support value-added expansion

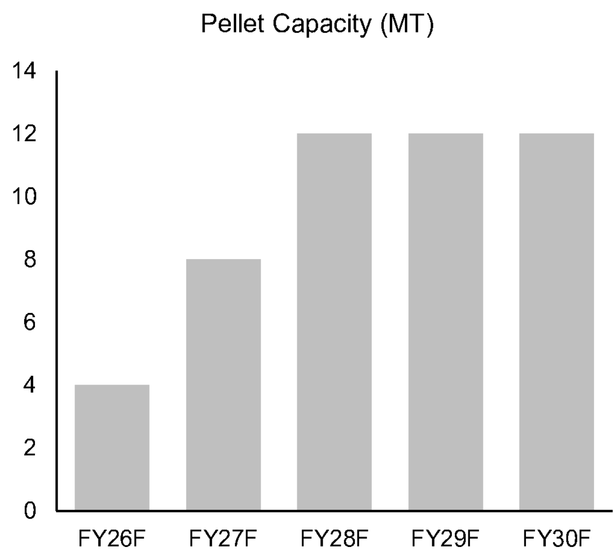
LMEL completed a 85km slurry pipeline from Hedri to its sponge iron plant at Konsari within a record 8-9 months. This pipeline feeds the 4MT pellet plant at Konsari, commissioned in FY25. In parallel, the company is developing a longer 190km slurry pipeline from Hedri to Ghugus, with Ausenco (USA) as the consultant for both projects. We expect this second pipeline, carrying iron ore from SIOM, to be commissioned by FY28. These pipelines will materially reduce freight cost, logistical complexity, carbon emission and improve EBITDA margins. While we believe the current pipeline will be enough to feed upcoming 4MT pellet capacity at Konsari by FY27, the new 190km slurry pipeline will feed the 4MT pellet plant at Ghugus, which we expect to be commissioned by FY28.

Fig. 45: Steel plants are to be connected with slurry pipelines making them effectively pit-head plants



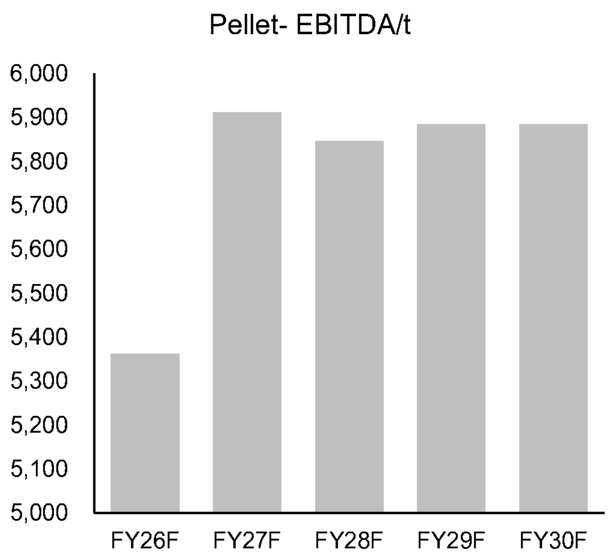
Source: Company data, Nomura research

Fig. 46: LMEL to triple its pellet plant capacity by FY28F



Source: Company data, Nomura estimates

Fig. 47: We expect LMEl to generate >INR6,000/t from external sales of pellet

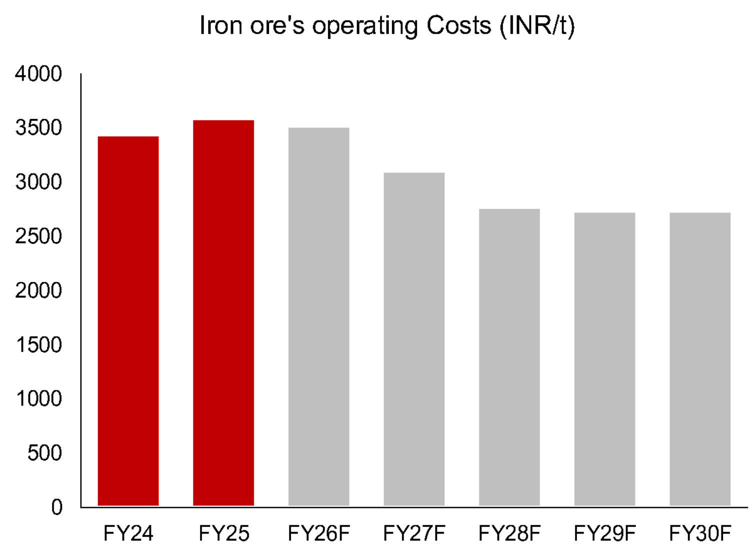


Source: Company data, Nomura estimates

Focused on becoming the cost leader

Beyond resource-linked advantages, management has proactively outlined multiple cost-optimization initiatives across operations, logistics, and power. The company expects these measures to generate a cumulative cost savings of ~USD2.4 bn over a 10-year period on consolidated basis. The scale and visibility of these initiatives should help offset industry cyclicity and sustain LMEL's cost leadership. Collectively, the combination of lower iron ore costs, favorable BHQ royalty economics, and disciplined cost control should keep LMEL's steelmaking operations structurally competitive, in our view, supporting margin resilience and above-industry profitability across cycles. We expect LMEL's iron ore operating cost/t to decline from around INR3,600/t in FY25 to ~INR2,700/t by FY28F.

Fig. 48: Proactive cost-optimization measures to reduce operating cost/t over the years, in our view

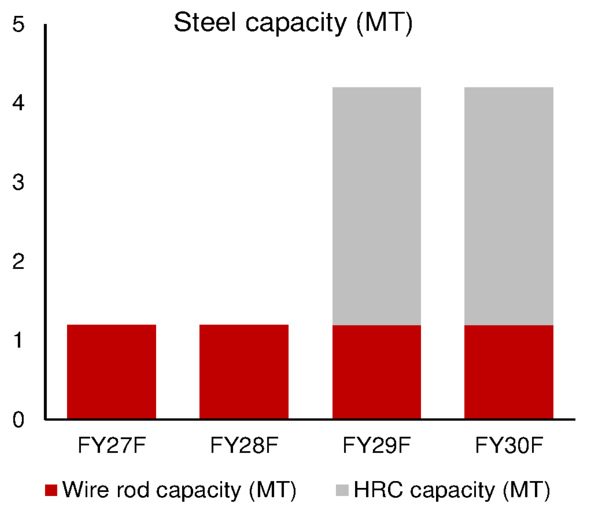


Source: Company data, Nomura estimates

A new integrated player in the making

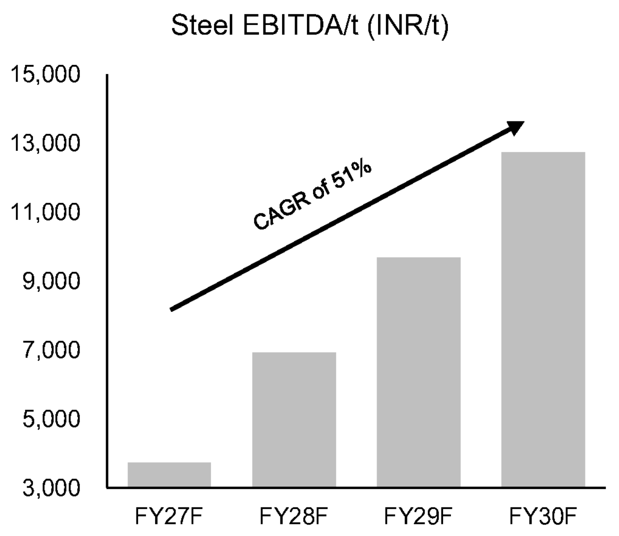
LMEL has outlined a roadmap of achieving 4MT steel capacity by FY29F. The company plans to set up a 1.2MT wire rod facility at Ghugus by FY27F, and a 3MT flat steel capacity at Konsari by FY29F. The capex outlined is INR42bn and INR160bn for wire rod and flat capacity, respectively. This integrated development is expected to catalyze the emergence of the Chandrapur-Gadchiroli belt as a key steel manufacturing hub in western India, in our view. Maharashtra being the largest steel consumer in the country, according to BigMint (*link*), we believe the company will not face challenges in achieving higher utilization. Apart from low-cost high-grade iron ore, we also expect the steel operations will benefit from captive pellets, sponge iron and power. Further, the second 190km slurry pipeline and captive fleet should also reduce freight cost/t. Collectively, the combination of lower iron ore costs, favorable BHQ royalty economics, and disciplined cost control should keep LMEL's steelmaking operations structurally competitive, in our view, supporting margin resilience and above-industry profitability across cycles. We expect LMEL to generate around INR7,000/t in EBITDA by FY28F and improve to ~INR13,000/t by FY30F.

Fig. 49: LMEL to have 4MT steel-making capacity by FY29F with 1.2MT wire rod facility coming by FY27F



Source: Company data, Nomura estimates

Fig. 50: We expect LMEL to generate around INR7,000/t EBITDA by FY28F, improving to around INR13,000/t by FY30F



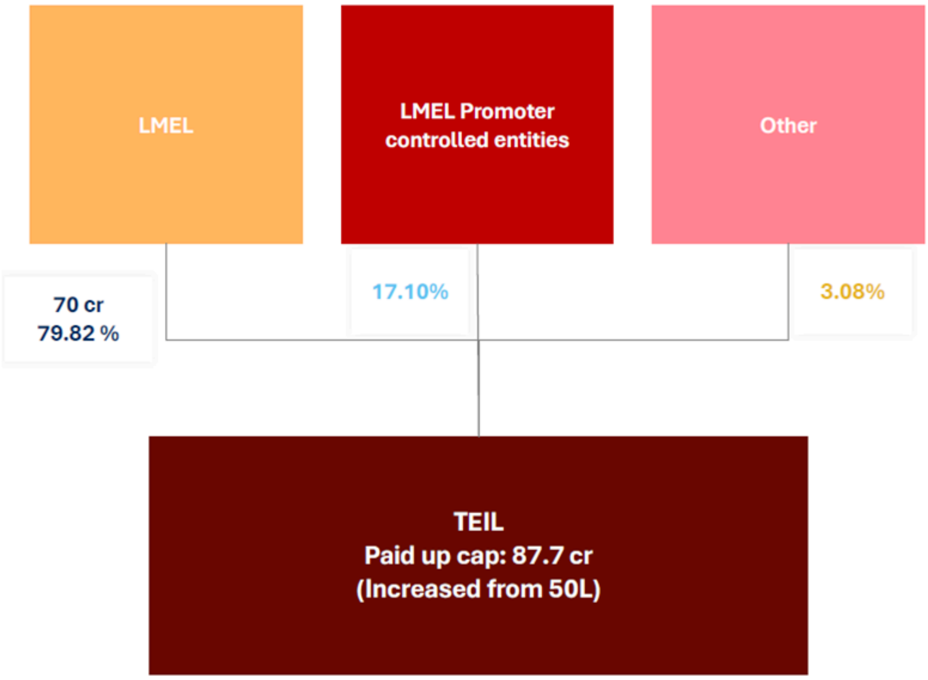
Source: Company data, Nomura estimates

MDO business adds predictability; reduces volatility

LMEL acquired a 79.82% stake in Thriveni Earthmovers and Infra Private Ltd (unlisted) in July 2025, marking a strategically important acquisition aimed at enhancing earnings stability and long-term visibility. The transaction brought Thriveni's MDO business under LMEL's consolidated financials from 2QFY26 onwards. The acquisition aligns with LMEL' s objective of transitioning from a pure-play iron ore miner to a more diversified and less cyclical mining and metals platform.

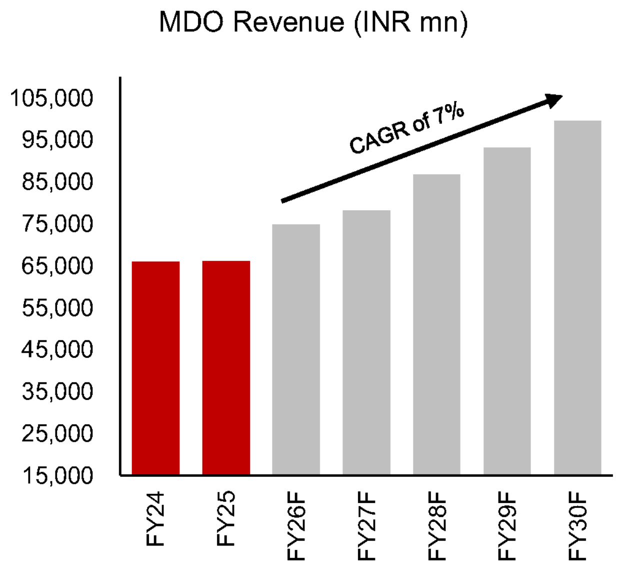
For LMEL, we believe the integration of Thriveni delivers several structural benefits. First, the MDO business provides annuity-like, contract-based revenues that are largely insulated from commodity price volatility, thereby smoothing consolidated earnings across cycles. Second, Thriveni's long-tenure contracts and strong execution capabilities improve cash flow predictability and support disciplined capital allocation. Third, the acquisition enhances LMEL's scale and operational depth in mining services, strengthening its positioning with regulators and large steel clients. Over the medium term, we expect Thriveni to contribute meaningfully to consolidated EBITDA, reducing volatility and materially improving the quality and sustainability of LMEL's earnings profile. We expect MDO business to contribute EBIDTA of around INR22bn by FY28F.

Fig. 51: TEIL's acquisition is a strategically important acquisition aimed at enhancing earnings stability and long-term visibility.



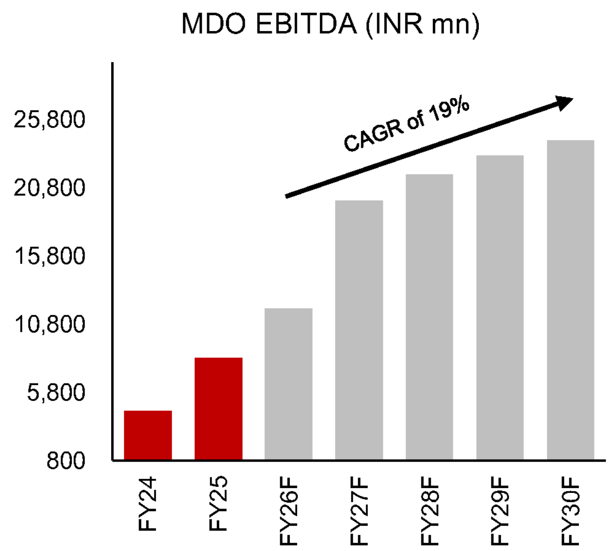
Source: Company data, Nomura research

Fig. 52: We expect MDO revenue to record a 7% CAGR over FY26-30F



Note: Revenues here represent annualised figures for the segment
Source: Company data, Nomura estimates

Fig. 53: and we expect a 19% EBITDA CAGR over the same period, with an average 23% EBITDA margin



Note: EBITDA here represents annualised figures for the segment
Source: Company data, Nomura estimates

Among the largest and most established MDO players in India

Thriveni Earthmovers is one of India's leading mine development and operations (MDO) companies, with a track record spanning over three decades. Founded in 1991 and incorporated in 1999, the company has evolved from a small excavation contractor into a large-scale, diversified mining services provider. Thriveni offers end-to-end mining solutions, including mine development, drilling and blasting, excavation, material handling, and logistics. Over time, the company has built strong capabilities in heavy equipment refurbishment, downstream processing and integrated mining services, enabling it to operate efficiently across large and complex mining projects, according to management.

Its key clients include large integrated steel companies and government-linked mining entities. The company handles significant volumes of material annually, supported by environmental clearances aggregating over 60 mtpa. Iron ore is the dominant commodity, complemented by coal, copper, bauxite and other bulk minerals. Geographically, Thriveni' s operations are concentrated in Odisha, Jharkhand and Maharashtra, with additional presence in Indonesia and Africa through overseas mining contracts and mineral development projects.

Fig. 54: Thriveni's clients include large integrated steel companies and government-linked mining entities

Name of the Mine Owner	Name of the Mines	Environmental limit (MT)
Maharashtra Iron Ore		
Lloyds Metal & Energy Limited	Surjaghar Iron Ore Mines	55
Osidha Iron Ore		
M/S D R Patnaik	Murgabeda Iron Ore Mines	2
Smt. Geetharani Mohanty	Raikela Iron Ore Mines	5
M/s Shree Metaliks	Khandbandh Iron Ore Mines	1.8
M/s M G Mohanty	Patabeda Iron Ore Mines	1.5
M/s Odisha Mining Corporation Ltd.	Guali Iron Ore Mine	9
M/s Odisha Mining Corporation Ltd.	Mahaparbat Iron Ore Mine	1
M/s. Arcelor Mittal Nippon Steel India Ltd.	Sagasahi Iron Ore Mines	9
M/s Indrani Patnaik	Unchabali Iron Ore Mines	4
DC Jain	Dalpahar Iron and Mn Mine	3
Dr Sarojini Pradhan	Baitarani Iron Ore Mines	0.6
Government Contracts		
NTPC	Pakri Barwadih Mine	21
NTPC	Pakri Barwadih North West	3
APMDC	Mangampet Baryte	3
International contract (coal)		
PT Arutmin Indonesia	Satui Coal Project	5

Source: Company data, Nomura research

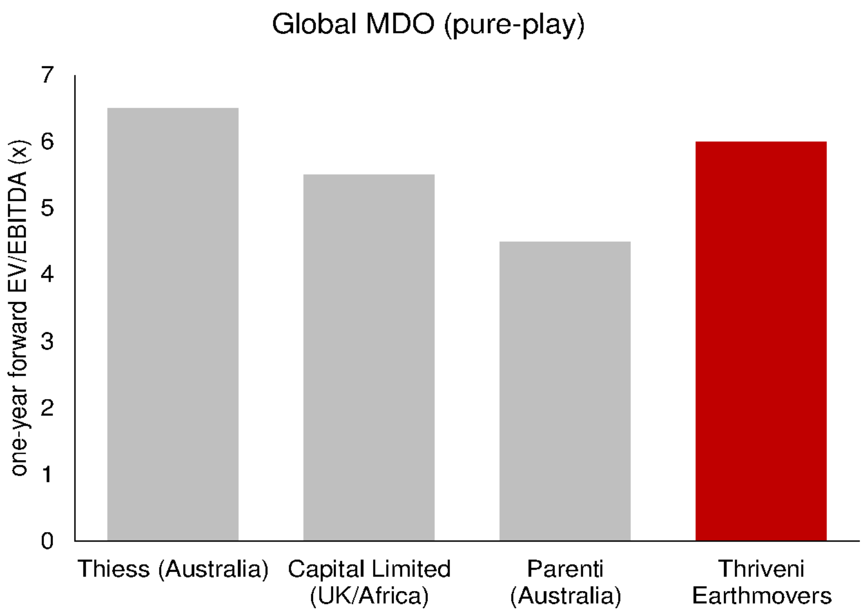
Annuity-like nature of contracts insulates against commodity price volatility

Thriveni's revenue model is predominantly fee-based, derived from long-term mining contracts and equipment rentals. Contracts typically span 20-30 years and offer fixed per-tonne mining fees with escalation clauses. Post the MMDRA 2015 amendment, all new mining contracts have been awarded through competitive auctions, leading to tighter margins on incremental contracts. However, this has been offset by higher volumes, operational efficiencies and lower equipment costs through in-house refurbishment. Importantly, the annuity-like nature of MDO contracts insulates earnings from commodity price volatility, providing stable and predictable cash flows in an otherwise cyclical sector.

Valuation

Thriveni has demonstrated strong financial growth over FY22-25. Revenues increased steadily from approximately INR19bn in FY22 to nearly INR66bn by FY25, supported by rising mining volumes and new contract wins. We expect revenue to improve to INR99bn by FY28F and to INR107bn by FY30F on a potential increase in environmental clearance of its clients. We built in a steady-state EBITDA margins of 21% through FY26-30F due to the service nature of the business. We forecast INR27bn in EBITDA by FY28F. Globally, Thiess and Parenti (unlisted; Australia) and Capital Limited (unlisted; UK/Africa) appear to us to be the closest peers to TEIL. Given the fee-based annuity like nature of business and peer comparison, we apply 6.0x one-year-forward EV/EBITDA on FY28F EBITDA to arrive at an asset value.

Fig. 55: Given the fee-based annuity like nature of business and peer comparison, we apply 6.0x one-year-forward EV/EBITDA

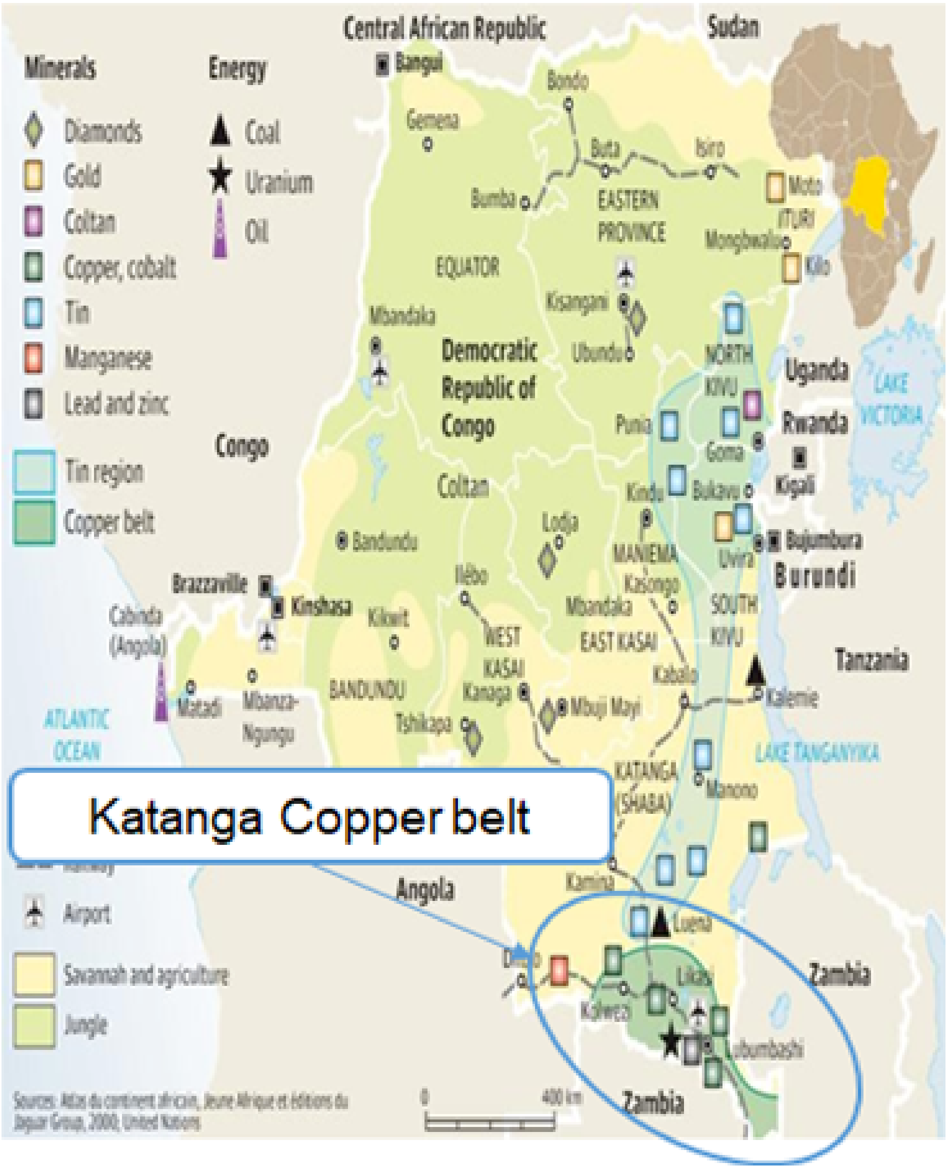


Source: Company data, Bloomberg Finance LP

Copper business provides global resource diversification

LMEL, through its wholly owned subsidiary Lloyds Global Resources FZCO, acquired a 50% stake in Nexus Holdco FZCO, a Dubai-based entity with mining and processing assets in the Democratic Republic of Congo (DRC). Nexus holds an ~80% interest in Surya Mines SARL, along with stakes in eight additional mining and processing companies, multiple mining concessions, and a copper-processing facility. This transaction marks a strategic step in expanding LMEL's resource base beyond domestic iron ore into global mining jurisdictions. It provides long-term optionality from high-grade ores and metals, particularly copper and other minerals aligned with the energy-transition and decarbonization themes, while also improving geographic diversification of raw material sources. The acquisition has the potential to be earnings accretive over time, in our view, subject to successful asset development, capacity ramp-up and operating efficiencies. Strategically, we believe the transaction positions LMEL to move up the value chain, reduce dependence on domestic raw materials, and unlock new revenue streams over the medium to long term, while strengthening its evolution into a diversified, multi-commodity resources company.

Fig. 56: Surya mine is located in the Katanga copper belt has political stability and peers such as Glencore already operating

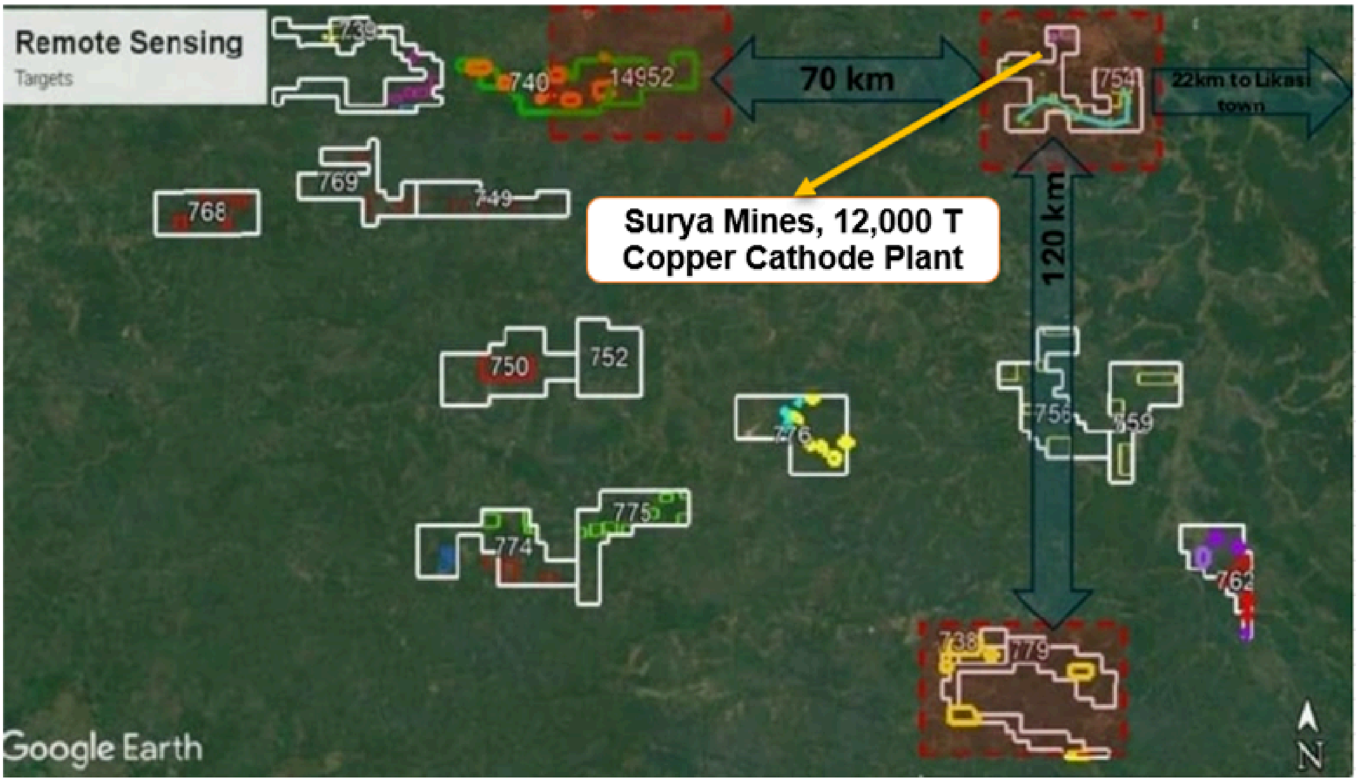


Source: Company data, Nomura research

Surya Mine offers a high-grade, cost-advantaged copper resource

Surya Mines hosts a high-grade copper ore body, distinguishing it from most upcoming global copper projects that are increasingly shifting to underground mining. The asset is an open-cast operation with average copper grades of ~1.50-2.35% and a favorable oxide ore profile, according to management, with geological studies conducted up to a depth of ~130m. Oxide ore enables direct acid leaching, avoiding the need for energy-intensive grinding and smelting required for sulphide ores. Consequently, according to the company, the SX-EW processing route offers lower capital intensity, reduced operating costs and simpler operations compared with conventional smelting-based flow sheets, supporting superior project economics and faster scalability.

Fig. 57: Surya mine provides 16 mining licences with high reserve potential

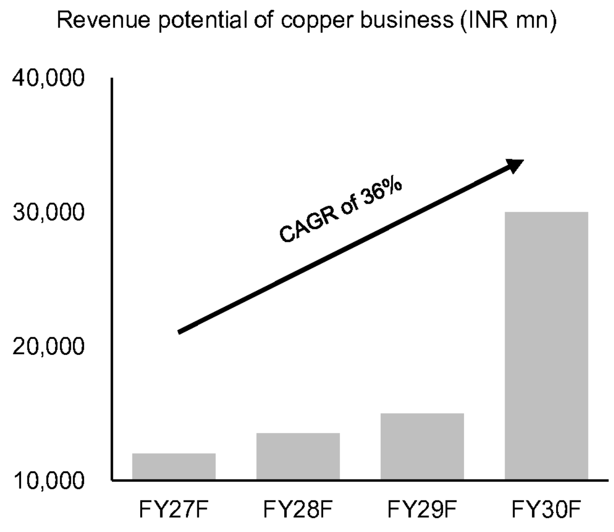


Source: Company data, Nomura research

Copper cathode facility nearing commissioning with scalable growth platform

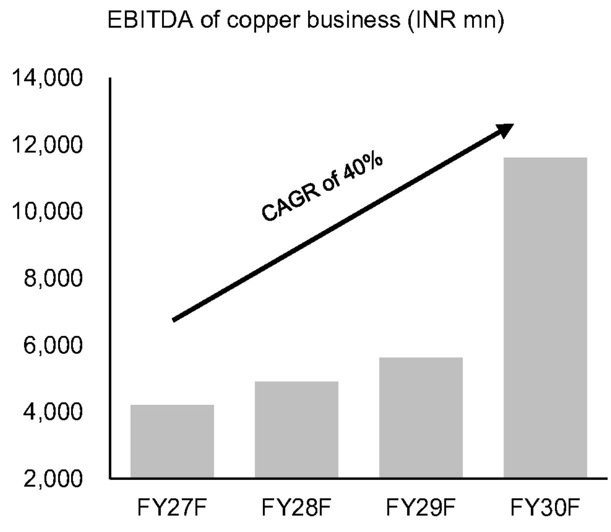
The 12 ktpa copper cathode facility at Surya Mines is nearing commissioning and is currently undergoing hydro-testing, marking the final stage prior to operations. Ore feeding is expected by management to commence by January 2026, with a processing cycle of approximately 21 days, implying first commercial cathode production by March 2026. We expect FY27 to be the first full year of operations, providing meaningful earnings visibility. The plant has been designed with scalability up to 30 ktpa, and NERIN, a leading global base-metals processing consultant, has been appointed to undertake a pre-feasibility study for the proposed expansion. To mitigate operational risks associated with downtime, the company has secured ~150 kt of ore inventory, comprising 30 kt at the plant and 120 kt at the mine, with an average grade of 2.34% copper, providing approximately 3.5 months of uninterrupted feedstock coverage and supporting a smooth ramp-up.

Fig. 58: We expect copper revenue to increase at a 36% CAGR over FY27-30F...



Source: Company data, Nomura estimates

Fig. 59: ...while we expect EBITDA to improve at a 40% CAGR over the same period



Source: Company data, Nomura estimates

Fig. 60: An upward trend has been observed in LME copper prices; we model USD13,000/t copper price over FY27-28F

Source: Bloomberg Finance LP, Nomura research

Strategic collaborations to boost long-term growth

LMEL has entered into a non-binding MoU with Tata Steel to evaluate strategic collaboration across mining, logistics, pelletization and steelmaking. The framework covers potential cooperation in greenfield steel projects, iron ore mining, slurry pipeline infrastructure, pellet plants, DRI production and exports of value-added low-carbon steel products. A key area of focus is the joint assessment of mining and infrastructure opportunities in Gadchiroli, emerging as a potential steel hub. The MoU provides LMEL with access to Tata Steel's engineering, execution and downstream capabilities, while enhancing its credibility with regulators and investors, in our view. For LMEL, with significant existing mining, pellet and DRI capacities, we believe the collaboration improves prospects for faster project execution, logistics optimisation, downstream expansion and sustained long-term value creation, subject to approvals.

Strategic benefits to LMEL from Tata Steel's acquisition of TPPL

Tata Steel's acquisition of a 50.01% controlling stake in Thriveni Pellets Private Limited (TPPL) (unlisted) significantly enhances value for LMEL as a 49.99% shareholder, in our view. The transaction de-risks the asset through exclusive pellet offtake backed by minimum volume guarantees, aimed at ensuring high utilization and stable cash flows. Association with Tata Steel materially improves operational credibility, counterparty strength and long-term ore security, particularly beyond FY30, in our view. The integrated beneficiation- slurry-pellet infrastructure supports cost-efficient operations and sustained profitability, whether for captive or commercial use. With an EBITDA potential of ~INR3.5bn (100% basis) and LMEL's cash payback of under two years, we believe the investment offers highly attractive risk-adjusted returns while strengthening LMEL's downstream integration and earnings visibility.

Company overview

LMEL is a key iron ore mining and steel manufacturing company in India, anchored by its Surjagarh iron ore mine in Gadchiroli, Maharashtra. Although the mining lease was executed in 2007, large-scale operations commenced after Thriveni Earthmovers was appointed as the mine developer and operator in 2021. The region initially faced security concerns due to Naxal insurgency; however, under the guidance of Mr. Balasubramanian Prabhakaran, the company adopted a strong community engagement model. Investments in modern educational institutions, healthcare facilities and residential infrastructure helped foster local support and enabled stable mining activities. Thriveni Earthmovers, which became a co-promoter in July 2021 and currently holds an 18.3% stake in LMEL, has grown into India’s largest MDO and the leading private iron ore miner, with an international footprint spanning Indonesia and Africa. It also undertakes coal mining assignments for NTPC and overseas operations. LMEL is vertically integrating to become a major steel producer.

Management profile

The company is backed by a strong management profile, reflecting a blend of diverse expertise. Following Thriveni Earthmovers' strategic investment, Mr. Balasubramanian Prabhakaran joined the board in 2021. Following this, the company has seen a turnaround, with improved mining execution, operational scale-up and focus on sustainable growth.

Fig. 61: Board profile: 7 of 13 directors are independent

Name	Designation	Experience & functional strength	Key contribution
Mr. Mukesh Gupta	Chairperson, Non-Executive Director	Commerce graduate with 44+ years of experience across steel, power & real estate; foundational leader since 1991.	Led diversification and execution of large steel & power projects across group, shaping long-term strategic vision and governance continuity. His tenure has provided stability and continuity in major project decisions and strategic direction.
Mr. Babulal Agarwal	Vice Chairman, Non-Executive Director	Commerce and law graduate with 54+ years of experience in steel trading, corporate admin & legal affairs.	Applied deep industry knowledge to operational and administrative governance, strengthening compliance and managerial oversight in day-to-day company affairs over a long period.
Mr. Rajesh Gupta	Managing Director	Commerce graduate with 35+ years in production, management & strategic planning in metals & power.	Drove operational execution and market presence, leading multiple project implementations including steel sector ventures, and aligning strategic growth with execution rigor.
Mr. Balasubramanian Prabhakaran	Managing Director	Computer science graduate with > 30 years of experience in mining & infrastructure; founder of Thriveni Earthmovers.	Instrumental in transforming mining operations, accelerating operational turnaround and expansion following co-promoter investment; helped embed technology and execution focus into mining execution.
Mr. Madhur Gupta	Executive Director	Engineering and business graduate with over 8 years of expereience in infrastructure development, project execution, planning, and finance.	Brings expertise in strategic planning, global expansion, and operational growth. Instrumental in company's transformation journey; member of Risk Management Committee of the company.
Mr. Venkateswaran Soundararajan	Executive Director	30+ years of experience in mining operations; associated with Thriveni Earthmovers Pvt. Ltd.	Played a key role as a Director – Operations, overseeing multiple large-scale mining projects in Thriveni; known for his deep understanding of mining processes and strategic execution.
Dr. Seema Saini	Independent Director	A Ph.D. graduate along with advanced degrees in Economics and Human Resource Development; over 33 years of distinguished experience in the education sector.	Serves on several academic and industry advisory boards. Acts as the Chairperson of the Corporate Social Responsibility Committee of the company.
Mr. Ramesh Luharuka	Independent Director	CA and CS with over four decades of deep expertise in corporate finance, investment banking, and regulatory advisory.	Contributes to the company's financial and compliance oversight. Acts as Chairperson of the Audit Committee and Member of the Stakeholders' Relationship Committee and Corporate Social Responsibility Committee of the company.
Dr. Satish Ramchandra Wate	Independent Director	Accomplished environmental scientist with over four decades of expertise in environmental risk assessment, wastewater treatment, and sustainable development.	Brings scientific excellence and a strong commitment to sustainable growth. Chairperson of Nomination and Remuneration Committee of and is also a Member of the Risk Management Committee of the company.
Mr. Subbarao Venkata Munnang	Independent Director	Over four decades of experience in the mining, iron and steel sectors, and strategic leadership within the public sector.	Played a key role in transforming KIOCL into a profitable and award-winning PSU; has been actively involved in mineral exploration, strategic project execution, and industry innovation.
Mr. Mahendra Singh Mehta	Independent Director	40+ years across industries such as non-ferrous metals, mining, steel, power generation and distribution, cement, infrastructure, etc.	Experience in leading teams from the front, focussing on change management and integration, process improvement assignments across functions, brownfield growth projects,effective performance management systems, investor relations, training and mentoring etc
Mr. Dinesh Kumar Jain	Independent Director	Over four decades of distinguished service across Indian and international institutions and has held several senior positions in public administration.	Vast experience in reform-driven leadership and significant contributions in areas such as policy formulation, governance, finance, and administrative reforms shall add immense value to corporate governance.
Mr. Shabbirhusein Shaikhadam Khandwawala	Independent Director	Graduate in Organic Chemistry and IPS	Has distinguished career spanning decades, and served in key law enforcement roles, retiring as the Director General of Police (DGP) of Gujarat. Brings in extensive experience in governance, ethics, and public administration.

Source: Company data, Nomura research

Fig. 62: Profile of other key personnel

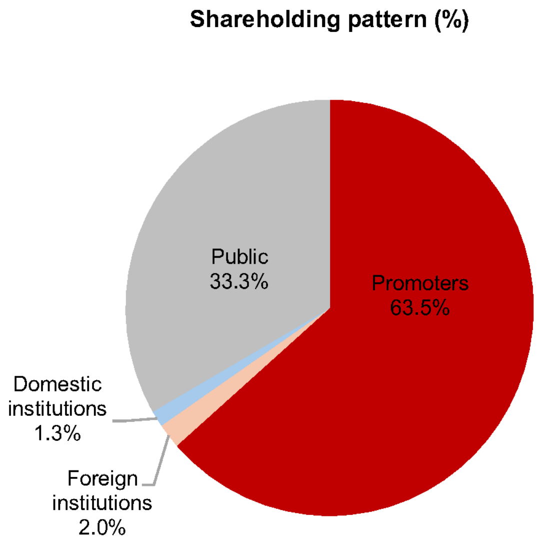
Name	Designation	Experience & functional strength	Key contribution
Mr. Riyaz Shaikh	Chief Financial Officer (CFO)	More than 25 years of experience in finance roles covering accounting, budgeting, treasury, financial controls, statutory reporting and audit management across manufacturing and infrastructure-linked businesses	Has overseen statutory financial reporting, budgeting, internal controls, and audit processes during a period of significant scale-up in mining operations. Experience in corporate finance supports disciplined cost tracking, cash-flow monitoring, lender coordination, and compliance with financial disclosure requirements, which are critical in a capital-intensive mining business.
Mr. Akshay Vora	Company Secretary & Compliance Officer	8+ years in corporate secretarial functions, SEBI & Companies Act compliance, board processes, and shareholder communications	Managed company secretarial compliance, board and committee processes, regulatory filings, and shareholder disclosures for a listed mining company. His professional experience ensures timely compliance with SEBI LODR, Companies Act requirements, and supports orderly conduct of board meetings, disclosures, and governance processes in a highly regulated sector.

Source: Company data, Nomura research

Ownership structure

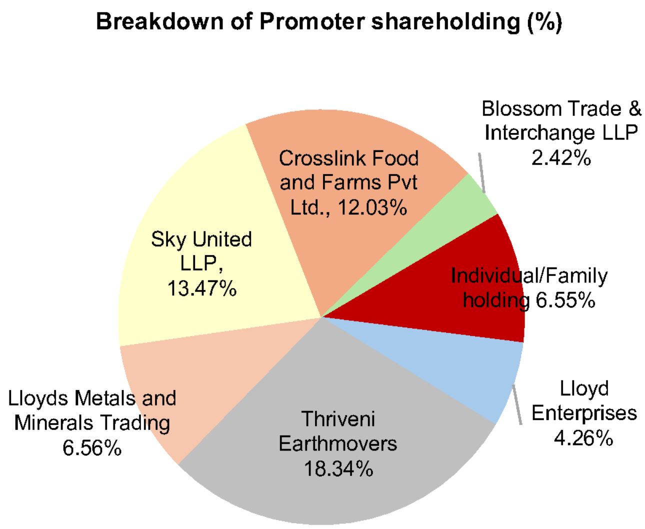
LMEL is currently operated under a closely held promoter-driven structure, with the promoter and promoter group retaining a majority stake in the company. Over the past few years, institutional participation has been increasing amid growing investor confidence in the company's growth trajectory, operational ramp-up and improving financial performance.

Fig. 63: Shareholding pattern as of Dec'25



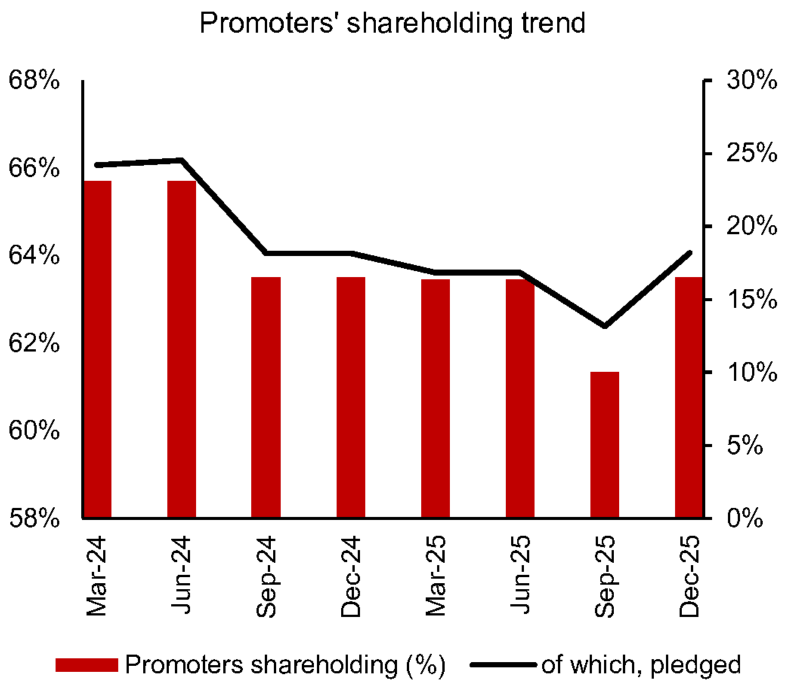
Source: Company data, Nomura research

Fig. 64: Breakdown of Promoter shareholding (%)



Source: Company data, Nomura research

Fig. 65: Promoters' shareholding trend, along with pledged levels



Source: Company data, Nomura research

Valuation

We initiate coverage on LMEL with a Buy rating and a target price of INR1,600, driven by the company's strong structural advantages and improving business mix. LMEL is among the lowest-cost iron ore miners in India, supported by an auction-free mining lease valid until 2057, which provides long-term cost visibility and operational stability, in our view. We expect the company's vertical integration strategy, with plans to scale up to 4MT of steel capacity by FY30 to enhance the product mix and result in a meaningful improvement in earnings. Additionally, the MDO business operated through Thriveni offers earnings predictability in an otherwise cyclical industry. The company's foray into the copper segment has further diversified its revenue streams, while strategic collaborations across multiple segments in the Gadchiroli region add to the company's long-term growth optionality, in our view. Overall, we believe LMEL is transitioning from a pure-play iron ore miner to a more diversified, stable, and less cyclical business model, with increasing visibility on sustainable and recurring earnings

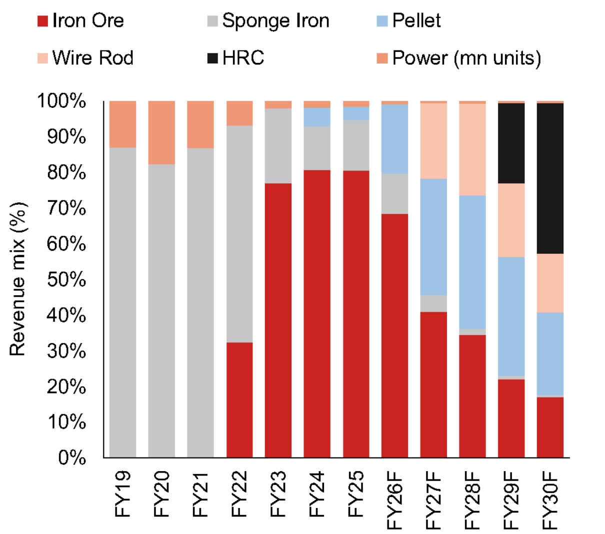
Core business

LMEL is currently positioned primarily as an iron ore miner, supported by an annual environmental clearance of 55MT and a 1.2MT DRI facility. On a standalone basis, such a business would typically warrant valuation in line with other iron ore mining peers. However, LMEL is in the midst of a structural transformation from a pure-play miner to an integrated steel producer.

By FY29F, we expect LMEL to commission ~4MT of steel capacity, comprising ~1.2MT of wire rods and ~3 MT of flat products. In parallel, the company is implementing multiple cost-efficiency and value-accretive initiatives, including slurry pipelines, pellet plants, and a captive logistics fleet. We expect these measures to materially reduce logistics and operating costs, improve input security, and enhance operating leverage.

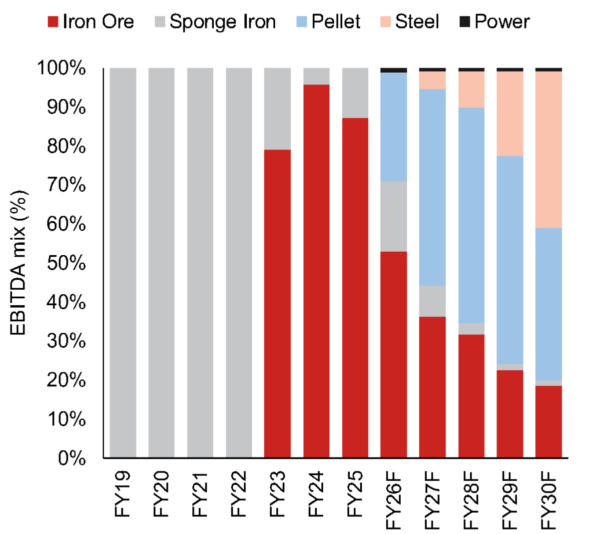
As a result, we anticipate a significant expansion in EBITDA margins and absolute profitability of LMEL's core business. We estimate a CAGR EBITDA of 43% over FY25-30F, reaching INR115bn by FY30F. Given this transition toward a more integrated, value-added business model with structurally higher earnings visibility, we believe LMEL merits a valuation premium. Accordingly, while pure-play iron ore miners such as NMDC (ticker, rating) typically trade at ~6.0x one-year-forward EV/EBITDA, based on Bloomberg consensus estimates, we assign an 8.0x one-year-forward EV/EBITDA multiple to LMEL's core business.

Fig. 66: Revenue mix of core business over FY19-FY30F



Source: Company data, Nomura research

Fig. 67: EBITDA mix of core business over FY19-FY30F



Source: Company data, Nomura research

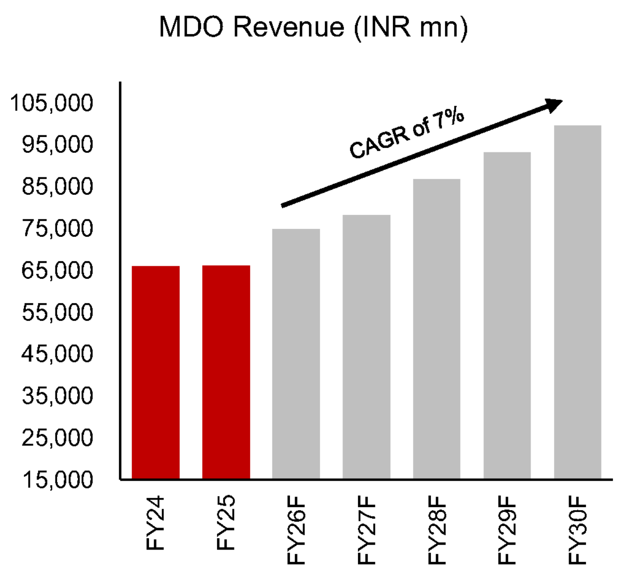
MDO business

Thriveni Earthmovers is among India's leading mine development and operations (MDO) players, with a track record spanning over three decades. The company services a diversified client base comprising large integrated steel producers as well as government-linked mining entities. Thriveni handles substantial material volumes annually, supported by aggregate environmental clearances exceeding 60 MT, and has also established an operational presence in Indonesia.

The MDO business is characterized by long-tenure, annuity-like contracts, which provide strong earnings visibility and insulate profitability from underlying commodity price volatility. While there are no direct listed peers for Thriveni in India, we believe global MDO contractors such as Thiess, Parenti (Australia), and Capital Limited (UK/Africa) represent the closest comparable set.

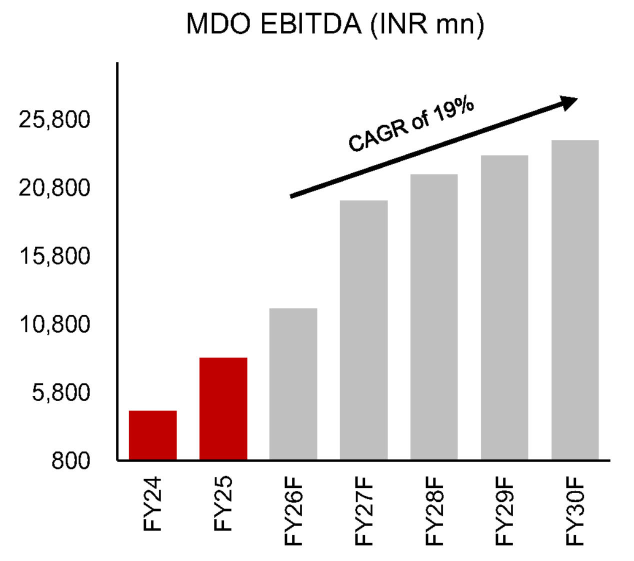
Given the similarity in business model, contract structure, and risk profile, we value the MDO business at 6.0x one-year-forward EV/EBITDA, broadly in line with global peer valuations.

Fig. 68: We expect MDO revenue to record a 7% CAGR over FY26-30F



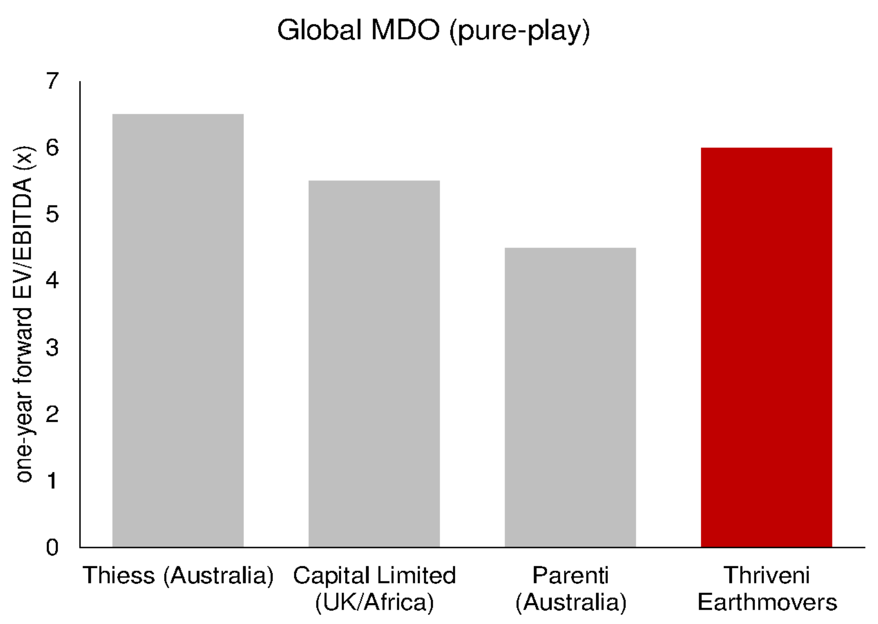
Note: Revenues here represent annualised figures for the segment
Source: Company data, Nomura estimates

Fig. 69: and we expect a 19% EBITDA CAGR over the same period with an average 23% EBITDA margin



Note: EBITDA here represents annualised figures for the segment
Source: Company data, Nomura estimates

Fig. 70: Given the fee-based annuity like nature of business and peer comparison, we apply 6.0x one-year-forward EV/EBITDA



Source: Company data, Bloomberg Finance LP

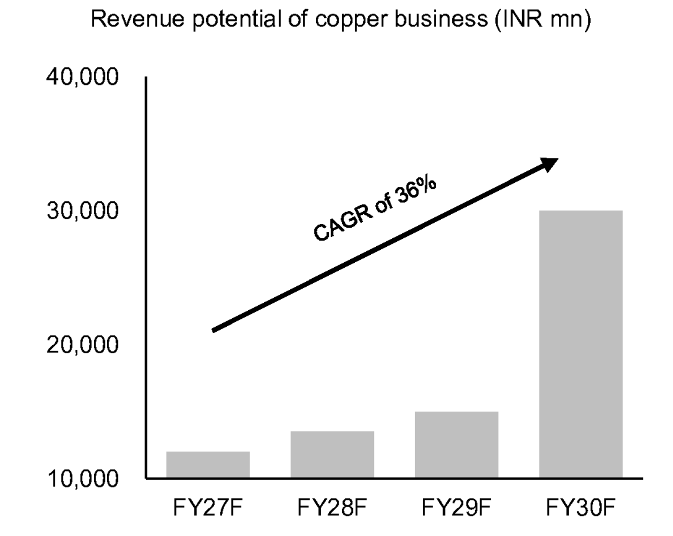
Copper business

LMEL, through its wholly owned subsidiary Lloyds Global Resources FZCO, is acquiring a 50% stake in Nexus Holdco FZCO, which owns mining and processing assets in the Democratic Republic of Congo (DRC). Nexus holds an ~80% interest in Surya Mines SARL, along with stakes in multiple other mining entities, concessions, and a copper processing facility.

The acquisition marks a strategic expansion of LMEL's resource base beyond domestic iron ore into international jurisdictions, providing long-term optionality in high-grade, energy-transition metals, particularly copper, while improving geographic diversification, in our view.

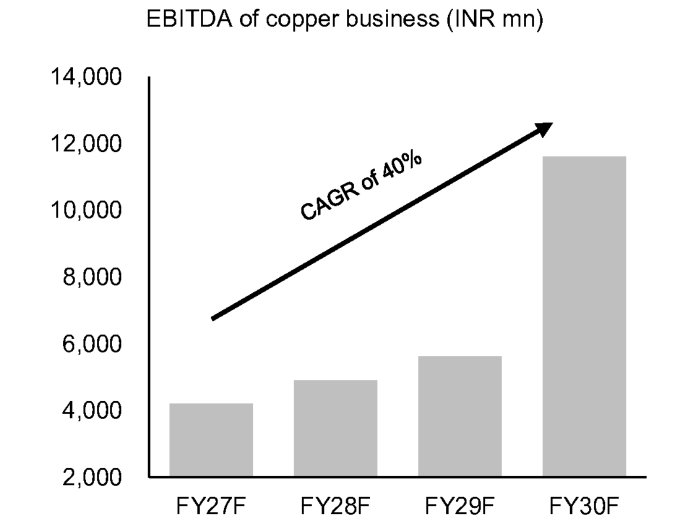
In the initial years, as only one mining licence becomes operational, we expect the copper vertical to contribute ~5% of total revenue. However, as additional blocks are developed and volumes scale up, its contribution should become meaningful over time. The foray into copper diversifies LMEL beyond the ferrous value chain and strengthens its evolution into a multi-mineral, global resources company, in our view. We value the copper business at 12.0x one-year-forward EV/EBITDA, in line with global copper peers.

Fig. 71: We expect copper revenue to increase at a 36% CAGR over FY27-30F...



Source: Company data, Nomura estimates

Fig. 72: ... while we expect EBITDA to improve at a 40% CAGR over the same period



Source: Company data, Nomura estimates

Fig. 73: Snapshot of consolidated financial performance and outlook

Consol. Revenue	FY20	FY21	FY22	FY23	FY24	FY25	FY26F	FY27F	FY28F	FY29F	FY30F
Mining	-	-	2,380	27,544	54,330	55,963	90,585	79,166	68,233	56,913	55,026
Steel and other related segments	4,053	2,783	4,952	8,240	13,009	13,453	41,755	104,406	119,118	190,105	257,595
Core business	**4,053**	**2,783**	**7,331**	**35,784**	**67,339**	**69,415**	**132,340**	**183,572**	**187,351**	**247,018**	**312,621**
MDO Operation and related services	-	-	-	-	-	-	59,793	78,197	86,726	93,227	99,589
Copper cathodes	-	-	-	-	-	-	-	14,102	15,864	17,627	35,254
Intersegment and other income	(336)	(249)	(356)	(1,861)	(2,528)	(3,152)	(25,717)	-	-	-	-
Consol. revenue from operations (INR mn)	**3,717**	**2,534**	**6,975**	**33,923**	**64,810**	**66,263**	**166,415**	**275,871**	**289,941**	**357,872**	**447,464**

Consol. EBITDA	FY20	FY21	FY22	FY23	FY24	FY25	FY26F	FY27F	FY28F	FY29F	FY30F
Mining	-	-	-	6,417	16,550	17,037	27,520	27,125	25,637	22,051	21,367
Steel and other related segments	211	109	1,455	1,686	734	2,492	20,854	45,745	56,450	75,556	93,731
Core business	**211**	**109**	**1,455**	**8,103**	**17,284**	**19,529**	**48,374**	**72,870**	**82,087**	**97,607**	**115,098**
MDO Operation and related services	-	-	-	-	-	-	11,938	19,841	21,784	23,169	24,309
Copper cathodes	-	-	-	-	-	-	-	4,209	4,898	5,623	11,607
Non-attributable	0	(0)	0	-	29	(0)	(3,033)	-	-	-	-
Total Consol. EBITDA (INR mn)	**211**	**109**	**1,455**	**8,103**	**17,313**	**19,529**	**57,279**	**96,920**	**108,769**	**126,399**	**151,014**

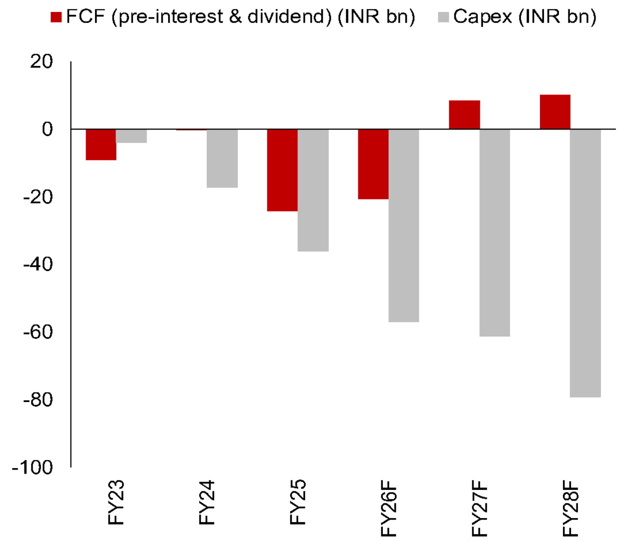
Source: Company data, Nomura estimates

Fig. 74: SOTP valuation

INR bn	FY28F EBITDA	Target EV/EBITDA (x)	Asset Value (Rs bn)
Core Business EBITDA	82	8.0	657
MDO Business EBITDA	22	6.0	131
Copper Business EBITDA	5	12.0	59
Enterprise Value	**109**	**7.8**	**846**
Less: FY27 Net Debt			8
Add: CWIP (25% discount)			31
Equity Value			**869**
Shares Outstanding (mn)			560
Target price			**1,600**
CMP			1,143
Upside/(Downside)			40%

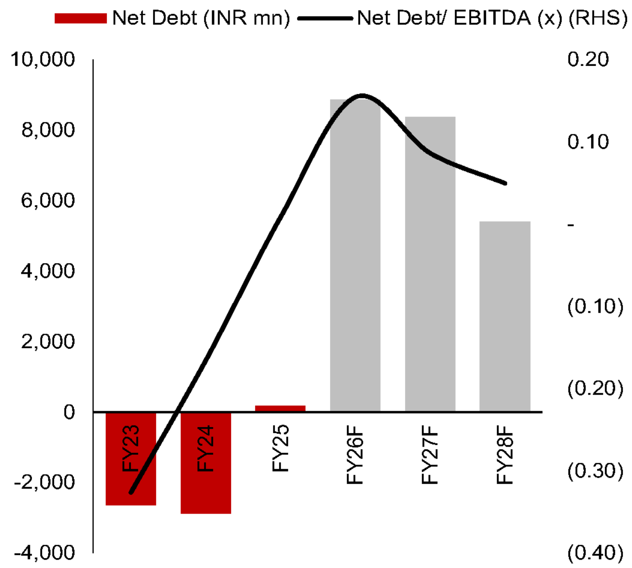
Note: Net debt is calculated as sum of long-term debt, short-term debt less cash, further reduced by bank balances as reported
Source: Nomura estimates

Fig. 75: LMEL to generate FCF despite building in higher FY28F capex compared to management guidance



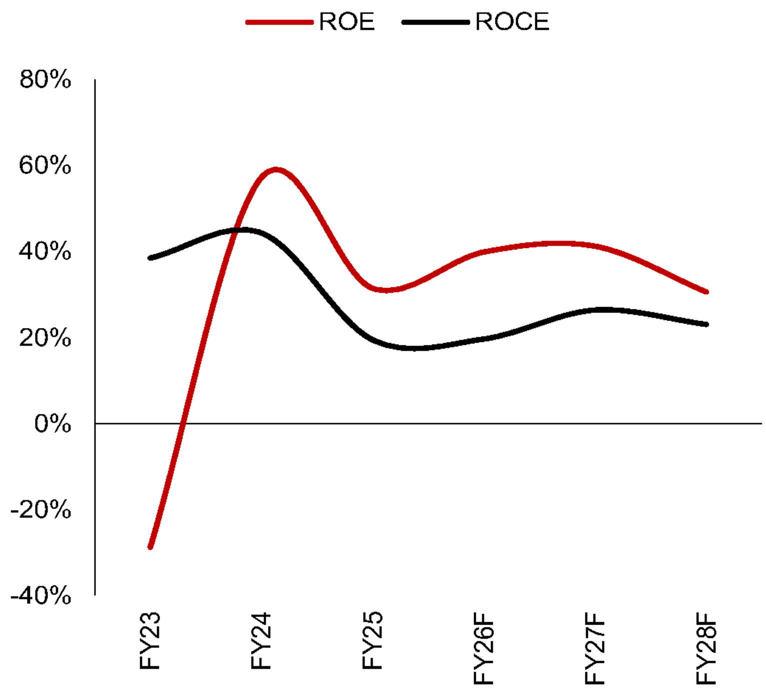
Note: Net debt is calculated as sum of long-term debt, short-term debt less cash, further reduced by bank balances as reported
Source: Company data, Nomura research

Fig. 76: We expect Net debt to EBITDA to remain below 0.2 despite aggressive capex phase



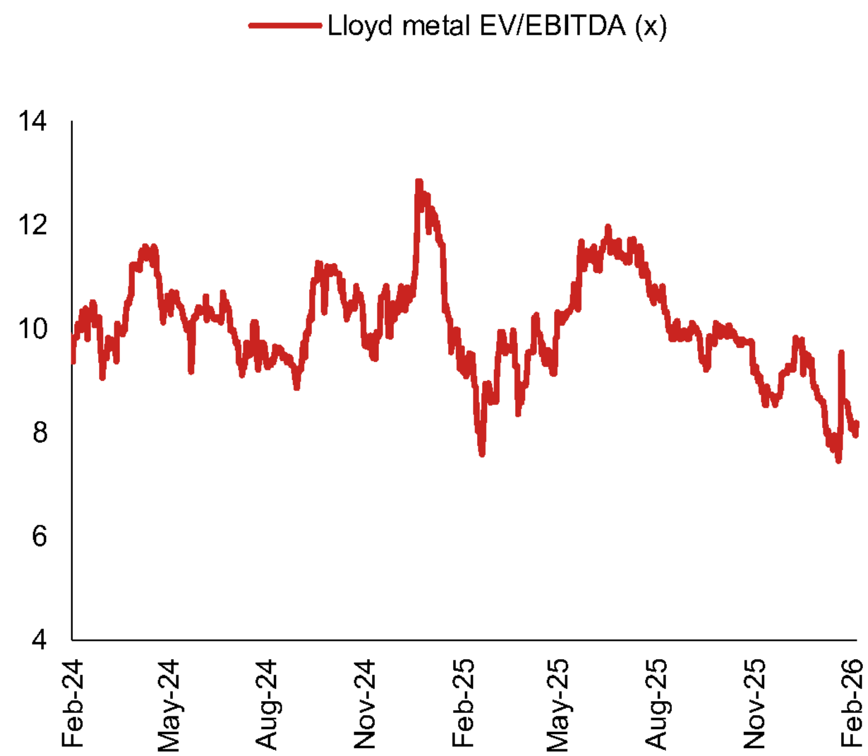
Note: Net debt is calculated as sum of long-term debt, short-term debt less cash, further reduced by bank balances as reported
Source: Company data, Nomura research

Fig. 77: We expect LMEL to generate around 37% average ROE during FY26F-FY28F



Source: Company data, Nomura research

Fig. 78: LMEL is currently trading at a 8.6x one-year-forward EV/EBITDA multiple



Source: Bloomberg Finance LP, Nomura research

Risks:

(1) **Delay in expansion:** LMEL is progressively deepening its presence across the ferrous value chain through the development of fully integrated steel manufacturing facilities. With a planned capital outlay of INR330bn, the company is investing in a

comprehensive downstream ecosystem, including a 45MT BHQ beneficiation facility, a 12MT pellet plant, slurry pipelines of 85km and 190km, a 1.2MT wire rod mill, and a 3MT carbon steel plant. These expansions would result in significant increase in EBITDA for LMEL. However, in India, we have often seen expansion plans, especially steel capacity getting delayed. In our view, a greenfield blast furnace takes around 7-8 years in India. While the management states that the land has already been acquired and approvals are on track. Any delay in expansion would result in earnings cuts.

(2) **Unrest in the Democratic Republic of the Congo:** The Democratic Republic of the Congo (DRC) faces an extremely high risk of political instability, violent protests, and armed conflict, particularly in the eastern regions of North and South Kivu. While LMEL's Surya mine is the Katanga Copper Belt (southeastern region) that is at a distant from the active conflict zones in the east, transportation routes to ports in Tanzania and South Africa are vulnerable to disruptions. Further, the rural area faces risks from armed actors, including loggers attacking community forest projects. Therefore, risk of civil and political unrest remains high for the copper business.

(3) **BHQ beneficiation scaling risk:** While the results of pilot project have been very encouraging, these results have been achieved under in a controlled, small-scale environment. Often during scaling up, various unforeseen technical or operational difficulties arise that could result in output being drastically different from pilot results. For LMEL, BHQ beneficiation is critical as ~80% of iron ore reserves are low grade that cannot be used without beneficiation.

(4) **Resurfacing Naxal activities:** As of late 2025 and early 2026, reports indicate a complex scenario regarding Naxal activities, characterized by a sharp, historic decline in the "Red Corridor" overall, but with sporadic, localized attempts at resurfacing in fringe. LMEL's operations are in Gadchiroli, long a Naxal stronghold in Maharashtra's "Red Corridor". The Maharashtra government, supported by central forces, has pledged to eradicate the remaining Maoist influence in the district, which was still listed as one of the most affected in India in April 2025. However, the chances of resurfacing Naxal activities remains a cause of concern.

(5) **Change in mining regulations:** Changes in mining regulations pose a top-tier risk, encompassing increased compliance costs, stricter environmental standards, and higher royalty payments. These shifts often lead to operational delays, reduced profitability, potential project shutdowns due to social, environmental, or community pressures, and heightened legal liability for, and, in some cases, executives. LMEL has access to free auction reserves till 2057; any change in Mines and Minerals (Development and Regulation) Act, 1957 (MMDR Act) or similar regulation can lead to LMEL losing its competitive edge.

Appendix A-1

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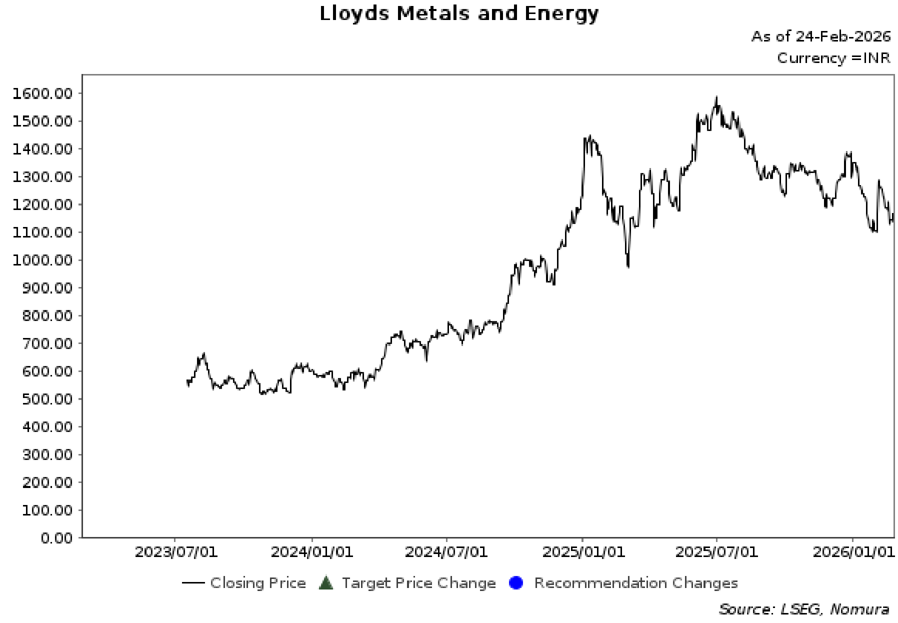
Lloyds Metals and Energy	LLOYDSME IN	INR 1,143	20-Feb-2026	Buy	N/A	

Lloyds Metals and Energy (LLOYDSME IN) **INR 1,143 (20-Feb-2026)** Buy (Sector rating: N/A)

Rating and target price chart (three year history)



Date	Rating	Target price	Closing price

For explanation of ratings refer to the stock rating keys located after chart(s)

Valuation Methodology We arrive at SOTP-based TP of INR1,600 by applying a target EV/EBITDA of 7.8x on new steady-state EBITDA in FY28. The benchmark for this stock is NIFTY50
Risks that may impede the achievement of the target price Risks: (1) a delay in steel capacity;, (2) political unrest in the Democratic Republic of the Congo affecting the copper business;, (3) BHQ beneficiation not yielding the same results as seen in the pilot project;, and (4) resurfacing of Naxal activities.

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