

## Pick of the Day (Short Term Delivery Call)

### Company Name: GMDC Ltd.

NSE Code	GMDCLTD
BSE Code	532181
Market Cap (Rs cr)	16,892
Avg. Trading Vol. in lakh (5 days/30 days)	124.5/56.3
Avg. Delivery Vol. in lakh (5 days/30 days)	24.0/11.4
Promoter Holding (%)	74.0
Pledge (%)	-

CMP (Rs)	529
Accumulation Range (Rs)	524-534
Target (Rs)	582
Upside Potential (%)	10.0%
Duration	3 Months

Source: ACE Equity, SSL Research

**Gujarat Mineral Development Corporation Ltd (GMDC)** is India's second-largest producing company and top merchant seller of Lignite. It is a State Public Undertaking of the Government of Gujarat. The company is engaged in mining lignite from deposit-rich areas across the state and markets it to various high-growth industries, including textiles, chemicals, ceramics, bricks and captive power.

#### Investment rationale:

**Critical mineral projects (Copper & Rare Earth):** Multi-metal project at Ambaji is renamed to Copper Project Ambaji, which is seen as the true value driver. The same is a very complicated project involving an underground mine close to residential and ecological sensitive areas. It requires significant capex and technical work. Revenues are expected to flow in 2 - 3 years from now, with FY28 being suggested as a likely figure for contributions due to the time required for mine development and putting up a concentrator plant. On the rare earth elements, steady work is ongoing. LOI has been received and commercialization is expected in few years. The company aims to enter the critical mineral space focusing on rare earths (for permanent magnets) and copper.

**Capex:** The company plans to incur a capex of Rs 13,000 cr plus by FY30. Capex distribution: ~46% for land, 15% for R&R and 30% for plant and machinery. Critical mineral projects account for Rs. 3,000-4,000 cr, coal projects Rs. 4,000 cr, new lignite projects Rs. 3,000 cr, and over Rs. 1,000 cr for existing lignite projects (mainly land). Annual capex is expected to be a steady number between Rs. 1,500 cr – Rs 2,000 cr, but may peak for two years in the journey.

**Lignite operations:** During FY25, the production was around 8 million tonnes (mnt), falling short of the initial 10 mnt target. The shortfall was attributed to factors beyond control such as safety incident at the small Rajpardi mine leading to its closure and delays in land acquisition for villages affecting the ramp-up of the Bhavnagar project. For FY26, the company has guided a volume growth of 10% - 15% from its four existing mines. Production from six new lignite mines with 12 MTPA capacity is anticipated to start contributing from FY27 onwards. By FY30, GMDC plans to see lignite production in the range of 15 million tonnes from Gujarat-based lignite, with about 30% from existing mines and 70% from newer mines.

**Coal mines:** The Baitarani West block in Orissa is expected to break ground in FY26. It is planned to be the largest mine for GMDC with a peak capacity of 15 mnt per annum and can potentially expand further. The management is optimistic about seeing some volume growth and sales in FY26 from Baitarani West if ground breaking happens, due to a favourable stripping ratio of near 1.5 units compared to Gujarat lignite. The ramp up after the first year of operation is expected to be very quick,

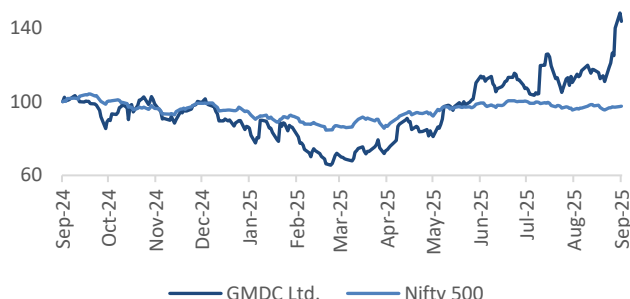
## Short Term Call

potentially reaching approximately 1 mnt in the first year, then ramping up to 3 mnt and 5 mnt quickly thereafter. Peak capacity is likely to reach by FY30.

**Attractive valuation:** At CMP of Rs. 529, the stock trades at TTM EV/EBITDA multiple of 16.7x.

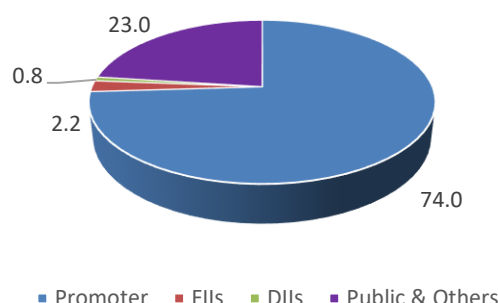
**Key Risks:** Regulatory risk, Environmental concerns

### Stock Performance (Indexed to 100)



Source: ACE Equity, SSL Research

### Shareholding Pattern (Jun'25)



Source: BSE, SSL Research

### Why Now?

Sr. No.	Parameters	Score
1	Recent financial performance (management guidance, return and margin profile, growth and cash flow)	✓
2	Overall corporate governance (Promoter pledge, credit rating, audit qualified opinion etc)	✓
3	Recent stock price movement-worst is over for stock, all negatives in the price (valuation, 52W H/L, below average PE etc)	↔
4	Beneficiary of recent macro and industrial developments (Regulatory, Fiscal/Monetary policy, favourable industrial outlooks etc)	✓



- Neutral



- Positive



- Negative

**Duration of recommendation:** Short to Medium term

\* Please refer to our call guide mentioned below.

### Recommendation History

Date	Stock Price	Target Price	Recommendation	Status
21 <sup>st</sup> July 2023	178	196	Buy	Closed at Rs 285
28 <sup>th</sup> Dec 2023	409	491	Buy	Closed at Rs 436s

### Call Guide:

The above recommendation is meant for short term investment purpose with holding period between 180-360 days and target upside upto 10% (+/- 0.5%). The recommended price is previous day's closing NSE price (except the stock only listed on BSE). In case of gap-up opening the call is termed "Not Entered" only if stock price does not come within +1% of previous close price on the day of call; partial profit is generally not advised; Call can be rationalized (changed) by Fundamental team at their discretion; generally to average or exit at loss (cut-loss strategy).

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## Short Term Call

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