

Infrastructure Led Expenditure Driving Manganese Ore Demand

MOIL Well Positioned to Capitalize on Growth Potential with Indian Steel Industry:

The enabling environment created in terms of 100% FDI through the automatic route in mining sector, Insolvency and Bankruptcy Code aiming at ease of doing business and to facilitate more investments, GST replacing many indirect taxes, massive investment in infrastructure development (Budget 2018-19, allocated 5.97 lakh crore to infrastructure sector), is proving to be game changer for metals & mining sector.

We expect MOIL - the largest producer of manganese ore with 45% market share to report top-line growth at a CAGR of 15% on the back of strong demand and high realization and bottom-line growth at a CAGR of 19% during FY18-20E in view of increasing trend in other income and absence of interest cost. We also believe that the company will be clocking EBITDA margin of 44% on the back of higher realization and volume growth and PAT margin to be at 34% by FY20E on the back of high operating profit, zero finance cost and high other income.

Investment Rationale:

- MOIL is the only company in India with capacity to produce high Ferro alloys grade manganese ore comparable to international standards. In order to meet growing demand from steel industry, MOIL has a strategic plan to produce 3.0 Mn MTs by 2030. The company is setting up two plants - with 50000 MTPA capacities and 25000 MTPA capacities to be commenced by 2022.
- MOIL is the only company with Electrolytic Manganese Dioxide Plant producing high value raw materials for dry cell manufacturing. The growing importance of battery technology and expected rise in use of electric vehicles to drive the sales of manganese ore.
- MOIL has a strong balance sheet with zero debt, high cash flow, high margins and respectable return ratios. It has been paying dividend regularly and maintains high liquidity ratios. All these reflect upon operating efficiency and sound fiscals.

Valuation & Risk

We have valued stock on 5 years of average 1 yr forward PE 10.2x of FY20E EPS and have arrived at TP of Rs. 232 with potential upside of 38% and initiate coverage with “BUY” rating. Key risks to rating are: cyclical nature of steel demand and slowdown in China.

Exhibit 1: Valuation Summary

YE Mar (Rs. Mn)	FY16	FY17	FY18	FY19E	FY20E
Net Sales	6346	9898	13235	15650	17521
EBITDA	705	2973	5327	6887	7716
EBITDA Margin (%)	11.1	30.0	40.2	44.0	44.0
Net Profit	1728	3074	4174	5034	5870
EPS (Rs.)	6.7	11.9	16.2	19.5	22.8
RoE (%)	5.1	9.8	14.9	16.8	17.2
PE (x)	15.2	12.6	11.9	8.6	7.4

Source: Company, Karvy Research; *Represents multiples for FY16 - FY18 are based on historic market price

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Recommendation (Rs.)

CMP (As on Dec 04, 2018)	168
Target Price	232
Upside (%)	38

Stock Information

Mkt Cap (Rs.mn/US\$ mn)	43253 / 614
52-wk High/Low (Rs.)	262 / 154
3M Avg. daily value (Rs.mn)	64.4
Beta (x)	0.9
Sensex/Nifty	36134 / 10870
O/S Shares(mn)	257.6
Face Value (Rs.)	10.0

Shareholding Pattern (%)

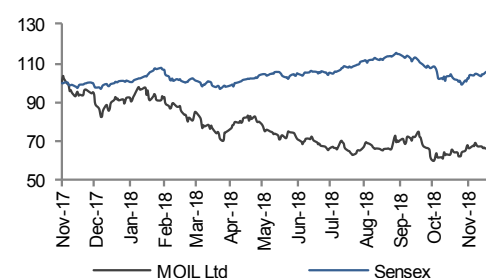
Promoters	65.7
FIIs	4.1
DIIIs	13.4
Others	16.8

Stock Performance (%)

	1M	3M	6M	12M
Absolute	(4)	(11)	(10)	(28)
Relative to Sensex	(7)	(5)	(12)	(35)

Source: Bloomberg

Relative Performance*



Source: Bloomberg; *Index 100



Watch video for a quick summary of this report

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Company Background

MOIL Limited - a Miniratna PSU, headquartered at Nagpur, incorporated in 1962, is primarily engaged in the mining of manganese ore from its 10 operating manganese mines, of which 6 are located in Maharashtra (Beldongri, Chikla, Dongri Buzurg, Gumgaon, Kandri and Munsar Mines) and 4 in Madhya Pradesh (Balaghat, Sitapatore, Tirodi and Ukwa Mines). It operates 7 underground mines (Kandri, Munsar, Beldongri, Gumgaon, Chikla, Tirodi and Ukwa mines) and 3 open cast mines (Dongri Buzurg, Sitapatore and Balaghat). The Balaghat and Dongri Buzurg mines are its largest mines.

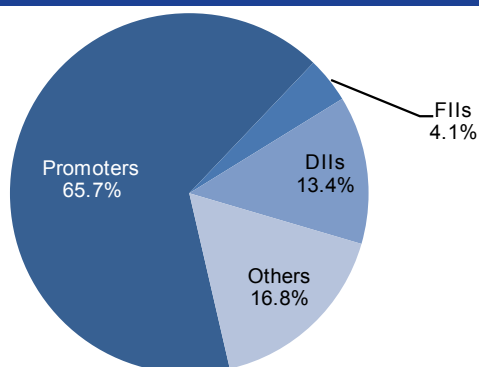
The company is the largest producer of manganese ore in India with about 45% market share. It produces and markets its manganese ore under three different major grades namely, Ferro Manganese which is high grade manganese, Silico Manganese (medium grade) and Blast Furnace grade ore which is required for hot metals and Dioxide for dry battery cells and chemical industries.

The Company has set up plant at Dongri Buzurg Mine in Maharashtra to manufacture 1000 MTPA capacity of Electrolytic Manganese Dioxide (EMD). This plant is used for manufacturing of dry battery cells. EMD is a high value product and it is the only plant in India. A Ferro manganese plant having a capacity of 10,000 MTPA was set up at Balaghat in M.P. to produce Ferro Manganese of very high quality comparable to international standards.

MOIL has installed a 4.8 MW wind power mill to promote non-conventional energy resources. The company has total mining leases over an area of 1743.77 hectares as on 31-03-2018. An area of 814.71 hectares has been reserved by the government in favour of MOIL for prospecting of manganese ore. The company recently got new manganese ore leases over an area of 988.181 hectares under various categories. In addition, Government of Madhya Pradesh has also reserved a new area of 372.701 hectares in favour of Moil. The company has also set up a captive power plant which helps reduce overall input cost.

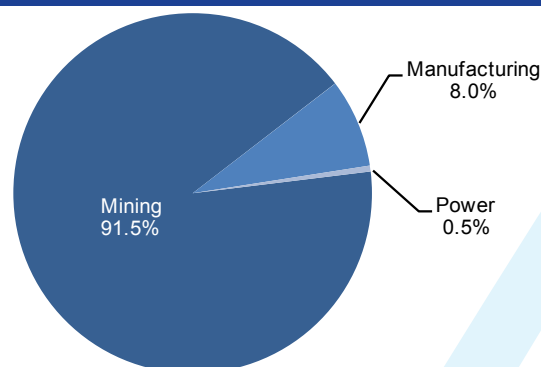
The company has been getting excellent rating from Department of Public Enterprises (DPE) for complying with various norms on corporate governance.

Exhibit 2: Shareholding Pattern (%)



Source: BSE, Karvy Research

Exhibit 3: Revenue Segmentation (%)



Source: Company, Karvy Research

Industry Structure and Manganese Ore Outlook:

Manganese, owing to its properties of deoxidizing and strength, finds its majority of application in metallurgical processes. About 95% of the overall manganese consumption is primarily attributed to the steel plants globally: hence production of steel is the basic underlying for the demand of manganese ore.

Additional quantities of ore are used for non-metallurgical purposes such as production of dry cell batteries, in fertilizers and animal feed, and as a brick colorant. Manganese ore is recycled as a constituent of ferrous and non-ferrous scraps.

In the last three years, there was surge in world's production of manganese ore especially in South Africa. There was surplus of manganese ore of lower grade by 0.59 Mn Tonnes. Manganese has no satisfactory substitute in its major applications.

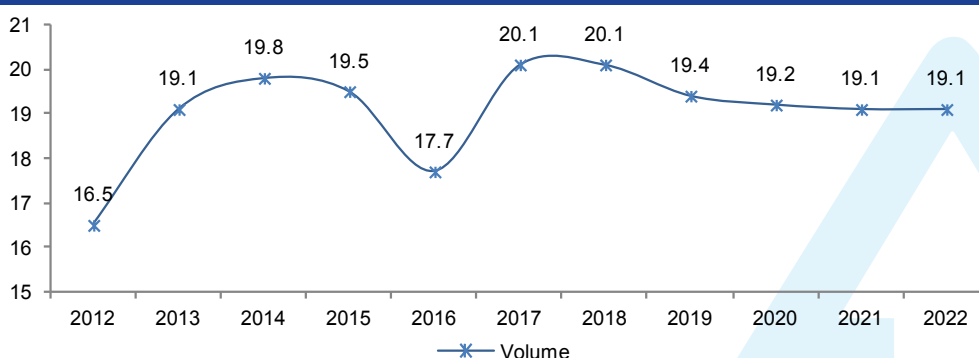
As per World Steel Association (WSA), with the expected population growth, emerging new application for steel and more sophisticated steel applications, the global steel market has a potential to grow further between 700 to 1000 Mn MTs in the next 50 years. With this it will be equivalent to a market that is about 60% larger than that of today.

Exhibit 4: World Mine Production and Reserves (Manganese Contents)

(Data in thousand metric tons)	Mine Production		Reserves
	2016	2017E	
South Africa	5300	5300	200000
China	2330	2500	48000
Australia	2240	2200	94000
Gabon	1620	1600	20000
Brazil	1080	1200	120000
India	745	790	34000
Ukraine, Concentrate	425	380	140000
Malaysia	266	270	NA
Kazakhstan, Concentrate	212	230	5000
Mexico	206	220	5000
Ukraine, Concentrate	425	380	140000
Other Countries	681	760	NA
World Total	15700	16000	680000

Source: US Geological Survey Jan 2018, Karvy Research

Exhibit 5: Manganese Ore Production Worldwide (MTs)



Source: Bloomberg, Karvy Research

As per study, the steel industry in India is expected to remain robust in the coming years which will create greater demand for manganese ore. During 2017-18, India continued to be a net exporter of steel with steel growing at 23.12% with import increasing by 5.4% only over the year.

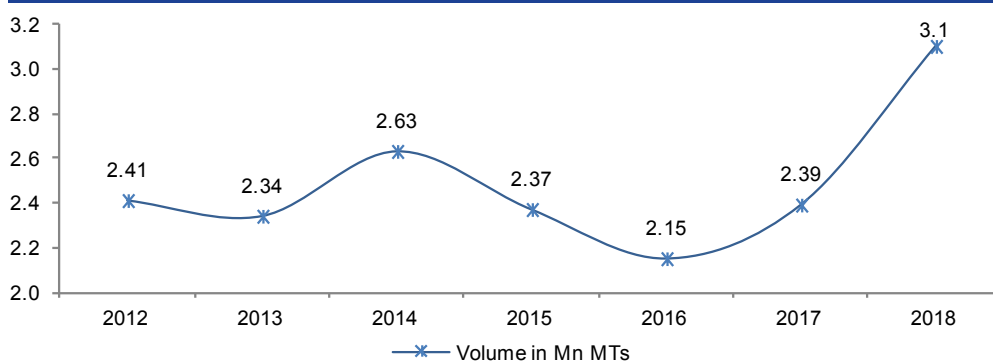
The total reserves of manganese ore in India are 406 million tonnes out of which 104 mn tonnes are proved, 135 mn tonnes are probable and 167 mn tonnes are in possible categories. Domestic requirement of manganese ore has increased substantially to meet not only increased production of steel domestically but also for export of manganese based alloys.

Due to shortage of high grade manganese ore in India, the manufacturers are regularly importing manganese ore. The import during 2016-17 was 1.91 Mn MTs and in 2017-18 it was 3.57 Mn MTs. The average grade of manganese ore produced in India is low (32-33%). This necessitates import of high grade manganese ore to blend with domestic quality of manganese ore for producing ferro/silico manganese required for steel industry.

In CY16-17, the production of lower grade manganese ore (with below 35% of manganese) was 66%, medium grade (with 35-46% of manganese) was 23% and high grade (with above 46% of manganese) was 10%. MOIL producing medium to high grade manganese is expected to grow at a faster pace.

Over four-fifths of the total production is consumed within the country and less than one fifth is exported. The exports of manganese had been constantly decreasing because of rapidly increasing demand in domestic market. Such industries include iron and steel industry, manufacturing of dry batteries, chemicals used in photography and some other industries.

Exhibit 6: Manganese Ore Production in India (Volume in Mn MTs)



Source: Statista, Karvy Research

Indian steel industry seems to have taken off to a high level of growth with massive investments in infrastructure buildings amid big push being provided to manufacturing. Union Budget 2018-19, has allocated Rs. 5.97 lakh crore for infrastructure sector. Increased infrastructure activities have brightened the prospects for steel and therefore manganese ore demand. India's finished steel consumption is anticipated to increase to 230 MTs by 2030-31 from 90.68 MTs in 2017-18. The country has emerged being the 3rd largest steel producing nation in the world. India's crude steel has increased to 102.34 MTs and finished steel production has grown to 104.98 MTs in 2017-18. In 2017, India's steel production grew 6.18%, whereas world's steel production growth was only 3.81% over the same period. China, the largest producer of crude steel showed a growth of 2.98% whereas Japan as the second largest producer, recorded a negative growth of 0.10%. Power and cement industries also adding growth.

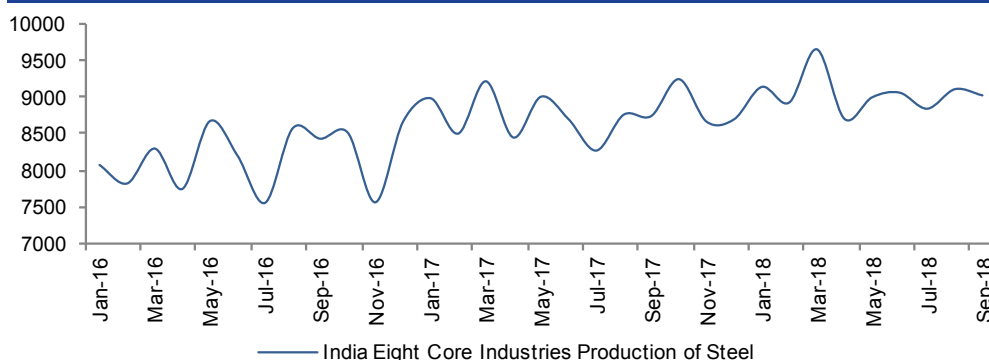
India benefits from strategic location that enables convenient exports to developed as well as fast developing Asian markets. It also has a fair production and cost conversion advantage in steel.

As per National Steel Policy-2017, India has set capacity target of 300 million tonnes of steel by 2030-31. This will create domestic demand for manganese ore to the tune of around 10 million tones. Manganese is mainly used in alloys such as steel. It increases the strength of steel.

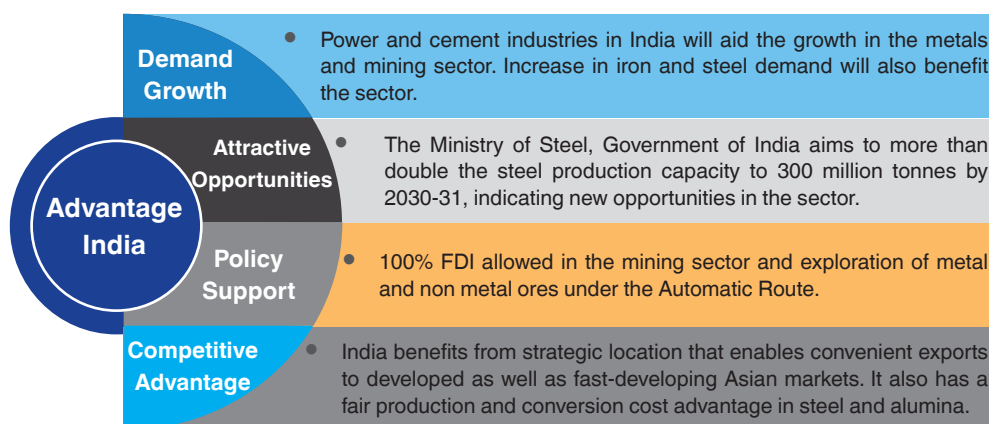
Year 2017 marked the turning of the tide in the manganese supply/demand dynamics. Nevertheless, concerns persist about the risk of manganese prices overshooting which could lead to drop in the demand. However, demand has persisted and while prices have reacted from the levels at the end of 2016, they have remained near five-year high and the outlook this year remains positive.

Part of the increase in price was the unexpected strength in the Chinese steel market which has been driven by supply-side factors rather than exceptional strength in finished steel demand. However, we continue to believe that commodities would be strengthening as the global economy is recovering. Demand of manganese ore will remain firm due to good growth in steel demand mainly driven by increased infrastructure spending across leading economies.

Exhibit 7: Steel Production (India Eight Core Industries)



Source: Statista, Karvy Research



Source: IBEF, Karvy Research

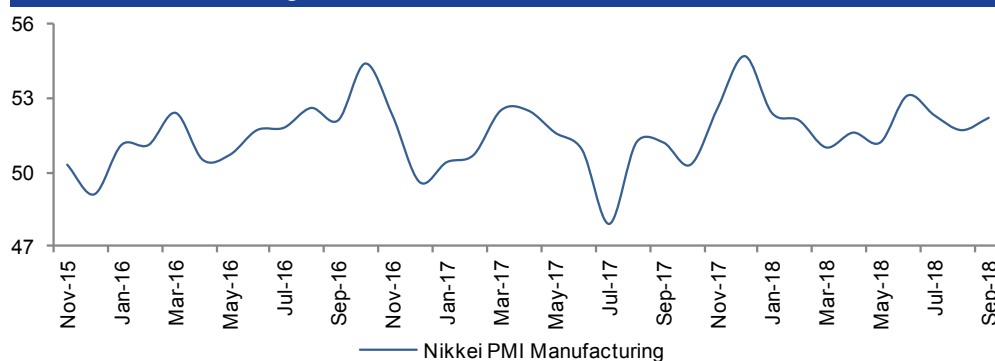
Increased Infrastructure Spending: Driving Demand for Manganese Ore

Infrastructure developments continue to be on top of the Government's economic agenda. In this direction, the Government of India has taken up numerous key initiatives like affordable housing, housing for all, projects like roads, ports, airports, railways, development of smart cities, etc. Steel industry being key to infrastructural development, its demand is likely to grow at an accelerated rate.

At global level also, manufacturing and infrastructure building activities have picked up. Chinese government undertaking of projects like OBOR and Sea-belt route and reduction of corporate tax by US government have provided a big push to infrastructure activities leading to greater demand for steel. Further, Chinese government's decision to cut on capacity and closing down of medium frequency induction furnace to reduce pollution caused by steel industry has caused decreased supply of steel.

In order to meet increased demand of manganese ore from steel industry, the company has planned to enhance its production from present level of around 1.10 to 3.0 Mn MTs by 2030.

Exhibit 8: Nikkei India Mfg Index



Source: Statista, Karvy Research

High Capex Plan to Drive Revenue Growth:

In pursuit of vision to become one of the leading manganese ore mining companies of the world and capitalize on growth in steel production and as a result, increase in requirement of manganese ore, MOIL has prepared Strategic Management Plan which envisages availability of ore at a level of 3.00 Mn MT by 2030.

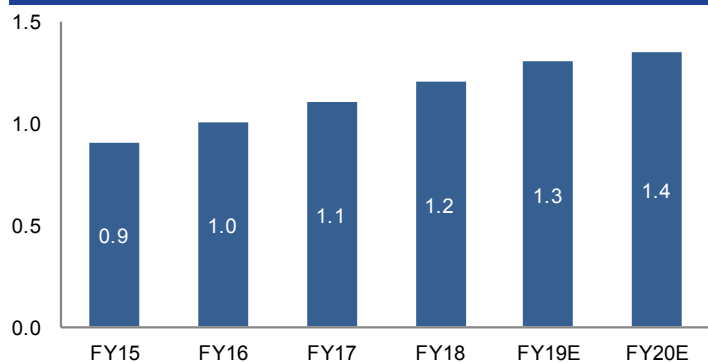
It has planned for investments in development of its existing mines, acquisitions of new mines within or outside the country, acquisition of area adjoining the mines, setting up value addition/diversification projects, etc.

The Board in its meeting held on 8th March, 2018 has approved setting up of Ferro Alloys Plant (FAP) of total 75000 MT capacities at Balaghat and Gumgaon Mines expected to be commissioned by CY2021 with the total investment of Rs. 4190 Mn. These projects are expected to double production of these mines from 0.370 Mn MTs to 0.740 Mn MTs.

In addition, the company has taken up various projects of deepening and sinking of shafts at Chikla (capex of Rs. 487 Mn), Kandri (capex of Rs. 148.2 Mn), Munsar (capex of Rs. 513.2 Mn) and Ukwa (capex Rs. 771.5Mn) mines.

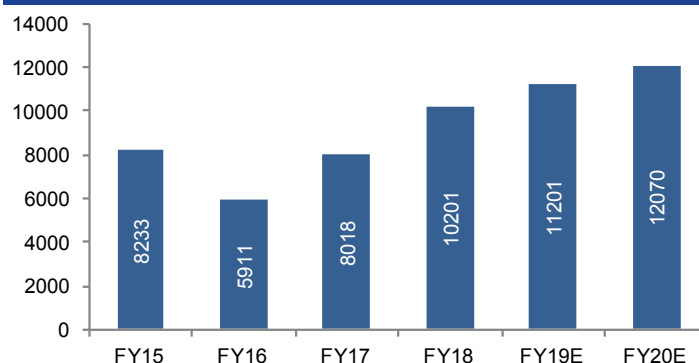
The setting up of the projects is a part of diversification options stipulated in the Strategic Management Plan for the growth of the company.

Exhibit 9: Manganese Ore sales volume in Mn MTs



Source: Company, Karvy Research

Exhibit 10: Realizations per MTs in Rs.



Source: Company, Karvy Research

Competitive Advantage

MOIL has its mines located mainly in central India with close proximity to major steel production region which contributes in terms of reduced manganese ore transportation cost. With about 81.47 Mn tones of medium-to-high grade reserves, low cost of production, strong customer ties and dominant position, MOIL is well positioned to capitalize on increased steel demand growth.

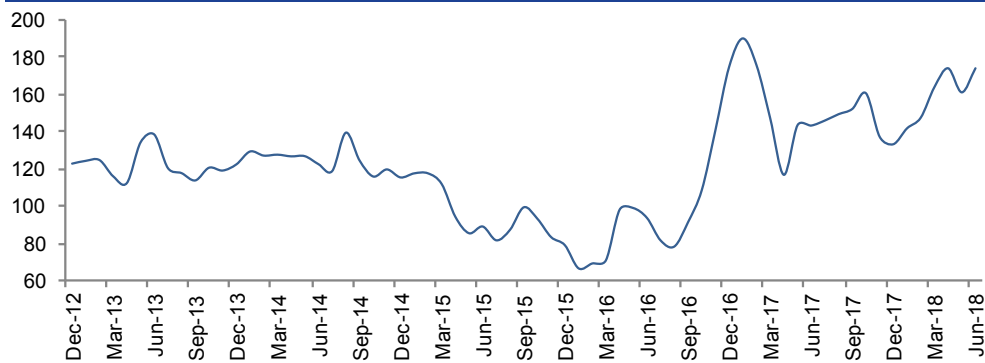
Around 90% of manganese ore is used in production of manganese Ferroalloys. MOIL has Ferro Manganese plant-the only plant at Balaghat M.P. with a capacity of 10000 tpa and produces Ferro Manganese of very high quality comparable to international standards. The capacity utilization of the plant has been consistently more than the capacity during the last 3-4 years.

Further, ramping-up of existing and commissioning of new steel capacities; anti-dumping duty on steel products till 2021 to keep manganese ore demands strong. MOIL has fixed/revised prices of different grades of Manganese Ore and other products, effective 1st Nov, 2018 as under:

- 1) The prices of Ferro Grade have been increased by 5% on existing prices to be effective from 1st Sep, 2018.
- 2) The prices of SMGR (Mn 30% & Mn 25%) and Chemical Grade and Fines have been continued as prevailing since August 2018. However, a discount at 10% will be offered on the prices of specific grade of material i.e., BGL523, DBL456 & DBL 457 effective from 1st Sept. 2018.
- 3) On sale of BGF534, existing discount of 5% has been increased to 10% for dispatches during Sep 2018.

Despite there has been a decline in import of manganese ore in India, still import of large quantities of high grade manganese ore is taking place. India has only 20% of high and medium grade reserves and the rest account for low grade ore reserves. With increasing demand for Silico Manganese, the imports of medium grade ore (35%-45% Mn) have increased. This indicates enough gaps between demand and supply of high grade manganese ore. This provides an opportunity for MOIL to increase its production of high grade manganese ore.

Exhibit 11: Manganese Ore Price Index



Source: Manganese Ore Price Index (WPI), Karvy Research

Rebound in Global Growth to Push Demand for Steel

The world economy is experiencing broad-based recovery with investment activity and trade growing at a steady pace. As per World Economic Outlook Update, the global growth is expected to grow at 3.9 percent both in 2018 and 2019 up from 3.7 percent in 2017.

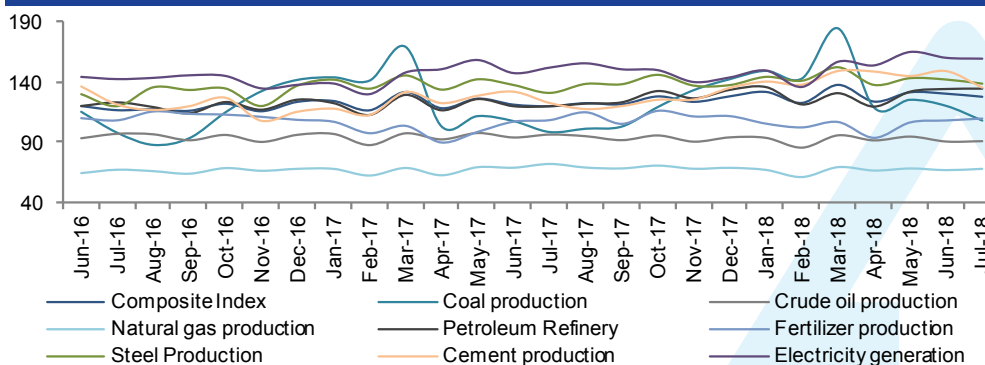
The US economy is expected to grow at 2.9 per cent in 2018, up from 2.4 per cent in 2017. In the Euro zone, spurred by policy stimulus and strengthening global demand, both domestic demand and export growth have been quite robust.

In China, where rebalancing continues, both public and private investment activity has fallen but exports have revived on the back of stronger world growth. The demand situations for steel have improved with pick up in global growth.

India's economy has started gaining momentum post de-monetization and GST led disruptions in economy. India's GDP in Q2FY19 has grown by 7.1 percent whilst GDP growth for full year FY18, FY19 and FY20 is projected to be around 6.7 percent, 7.3 percent and 7.5 percent respectively. The Gross Fixed Capital Formation (GFCF) increased by 12.5% during Q2FY19 as against 6.1% during Q2FY18. Manufacturing has improved by 7.4% in Q2FY19 as against 7.1% in Q2FY18. High frequency data such as automobile sales volume grew by 11% YoY during Q2FY19 wherein commercial vehicle registered growth of 38%.

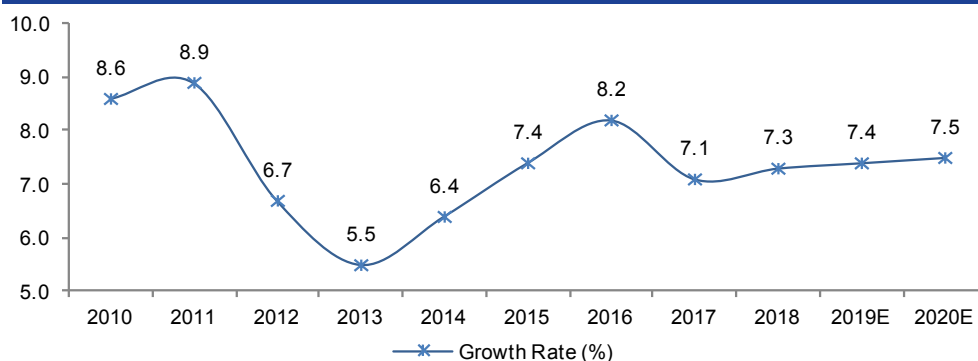
As per recent communiqué from IMF, India accounts for 15 percent of global growth. The growth prospect has brightened further with stabilization in crude oil and Fx-rate. The RBI paused interest rate hike to ensure economic growth with stability against a global backdrop of trade tensions.

Exhibit 12: Index of Eight Core Industries



Source: Bloomberg, Karvy Research

Exhibit 13: India's Annual Real GDP Index



Source: Bloomberg, Karvy Research

Government Initiatives:

The government's insistence on minimum import price has come to the rescue of the steel industry. This has resulted into revival of many steel units across the country, which in turn, has spurred the demand for manganese ore with about 95 per cent application in steel industry. Higher demand and rising prices creates an ideal market condition. Capitalizing on the opportunity, MOIL increased prices of various grades of manganese ore which resulted in improvement in average sales realization.

India became a net exporter of steel for two straight years, ably supported by government policies such as 300 Mn steel production capacity by 2030-31, the Mines & Mineral (Development and Regulation) Amendment Act (NMDR Act) 2015, Mineral Auction Rule, 2015 and 100% FDI allowed in mining sector and exploration of metals and non-metals ores under the automatic route.

But with Trump administration imposing 25% additional tariff on import of steel on March 2018, India seems to have turned dumping ground for steel makers from China, Japan and South Korea. According to a note prepared by the Steel Ministry, steel supply from China during April-June 2018 period increased by 67% from previous quarter. Similarly, steel import from Japan and South Korea increased 47% and 35% respectively. This suggests that these Asian steel manufacturers are diverting supplies to India.

Given the surge in dumping, the Steel Ministry has cautioned the government against rushing into an agreement at the 16-nations Regional Comprehensive Economic Partnership (RCEP) which includes China. There is an urgent need to impose safeguard duties by doubling custom duty to 25% from 12.5% on steel import from China, Japan and South Korea.

Power Business Providing Synergy to Mining Business:

In order to meet the requirement of power in the mines and to promote the use of non-conventional and environment friendly energy, the company is taking necessary action on the investment proposal for setting up of 10.5 MW Solar Power Plant at its mines in Madhya Pradesh and Maharashtra. In addition to this, the company is also taking necessary action to implement 20MW wind farms for captive power requirement and to promote non-conventional energy resources.

Robust Balance Sheet:

MOIL has been able to maintain a commendable balance sheet with zero debt having no interest cost, high cash flow and high margins. EBITDA margin of the company came in at 40% while PAT margin came in at 32% in FY18. The company generated respectable return ratios in terms of RoE being at 15%, RoCE at 17% and RoA at 13% in FY18. The company has regularly been paying dividend and maintains high liquidity ratio. Dividend yield stood at 3% while liquidity ratio came in at 6.2x in FY18. Higher liquidity and attractive dividend yield provide a high margin of safety. Cash and cash equivalents at the end of 31st March 2018 stood at Rs. 21391 Mn amidst on-going capital expenditure activities. The cash rich position helps the company to execute growth plans without affecting the financial performance of the company.

Exhibit 14: Business Assumptions

Y/E Mar (Rs. Mn)	FY17	FY18	FY19E	FY20E	Comments
Consolidated					
Revenue	9898	13235	15650	17521	We expect revenue of the company to grow at a CAGR of 15% on the back of increased demand from steel industries.
Revenue Growth (%)	56.0	33.7	18.3	12.0	
EBITDA	2973	5327	6887	7716	
EBITDA Margins (%)	30.0	40.2	44.0	44.0	Strong sales and relatively lower operation cost are expected to help improve EBITDA margin.
PAT	3074	4174	5034	5870	Increased sales and other income amidst zero finance cost will drive PAT and EPS growth.
EPS (Rs.)	11.9	16.2	19.5	22.8	
EPS Growth (%)	77.9	36.0	20.4	16.6	
CFO	1178	5287	4423	4806	Stronger sales and efficient operating cost will contribute in a positive CFO which will enable the company to meet its capex and dividend payment cost.
Capex	(1063)	(2070)	(1212)	(1210)	
Net Debt	(20911)	(21391)	(25034)	(29599)	
Free Cash Flow	116	3216	3211	3596	

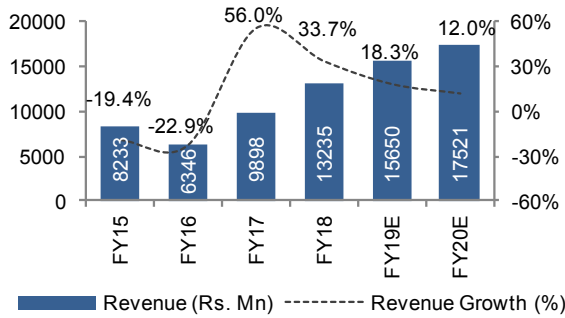
Source: Company, Karvy Research

Exhibit 15: Karvy vs Consensus

	Karvy	Consensus	Divergence (%)	Comments
Revenues (Rs. Mn)				
FY19E	15650	15440	1.4	We believe that the company will be experiencing sales growth at CAGR of 15% on the back of strong manganese ore demand and high realization.
FY20E	17521	16268	7.7	
EBITDA (Rs. Mn)				
FY19E	6887	7378	(6.7)	Strong sales backed by low cost of production will lead to higher EBITDA.
FY20E	7716	7600	1.5	
EPS (Rs.)				
FY19E	19.5	19.8	(1.2)	We expect EPS to grow in line with PAT.
FY20E	22.8	21.1	7.8	

Source: Bloomberg, Karvy Research

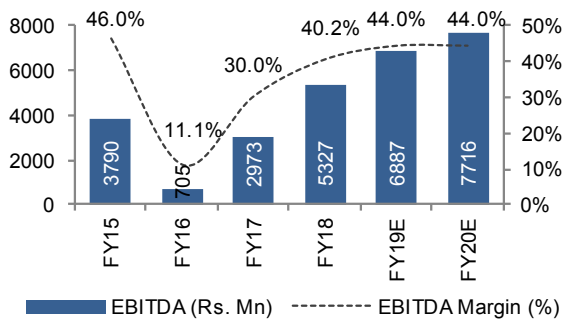
Exhibit 16: Revenue & Revenue Growth



Source: Company, Karvy Research

We are witnessing double digit growth in sales during FY17 and FY18 on YoY basis. We strongly believe that the momentum of double digit growth in revenue will be maintained on the back of its increased demand in steel industry.

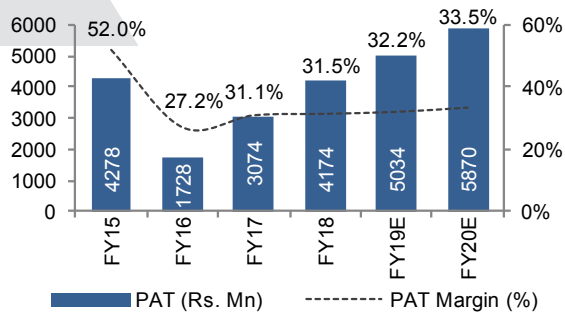
Exhibit 17: EBITDA & EBITDA Margin



Source: Company, Karvy Research

The trend of higher volume growth and relatively lower operating cost will ensure EBITDA and Margin to improve further.

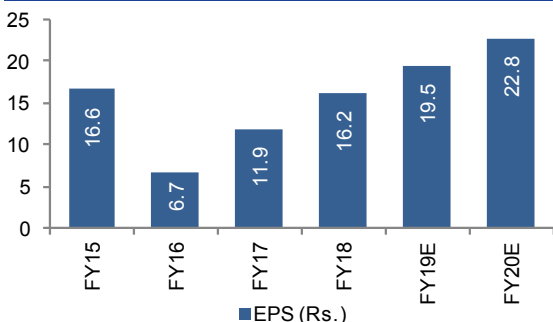
Exhibit 18: PAT & PAT Margin



Source: Company, Karvy Research

The Company is expected to register PAT growth at CAGR of 19% on the back of higher realization, high interest income and zero interest cost.

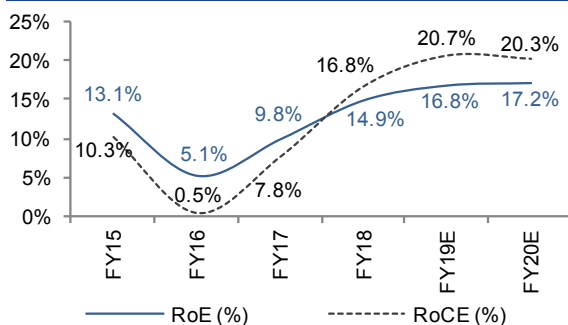
Exhibit 19: EPS (Rs.)



Source: Company, Karvy Research

EPS is expected to grow at CAGR of 19% in line with PAT.

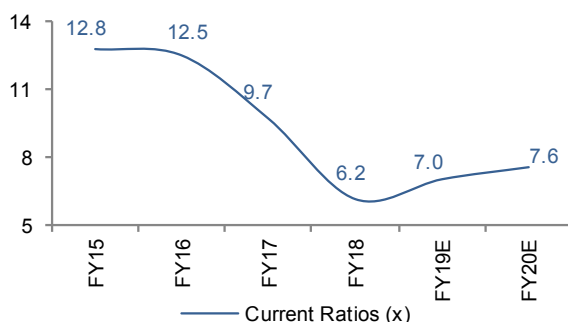
Exhibit 20: RoE & RoCE



Source: Company, Karvy Research

We expect return ratios to further improve in view of increasing trend in sales, absence of interest cost and high other income.

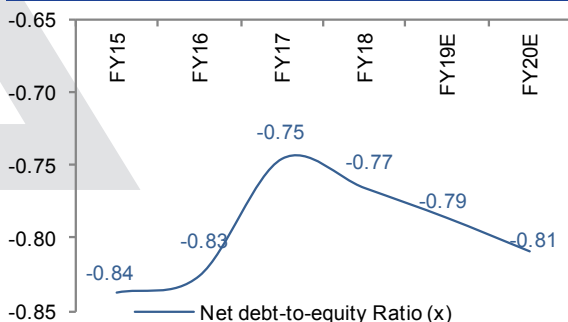
Exhibit 21: Current Ratios



Source: Company, Karvy Research

The company enjoys high current ratio which reflects upon ability of the company to meet current liabilities and sound financial health of the company.

Exhibit 22: Net debt-to-equity Ratio



Source: Company, Karvy Research

The company is cash rich having no debt on its book.

Exhibit 23: Company Snapshot (Ratings)

	Low					High
	1	2	3	4	5	
Quality of Earnings			✓			
Domestic Sales				✓		
Exports						
Net Debt/Equity						✓
Working Capital Requirement				✓		
Quality of Management				✓		
Depth of Management						✓
Promoter						✓
Corporate Governance						✓

Source: Company, Karvy Research

Exhibit 24: Dupont analysis

Company	PAT/PBT	PBT/EBIT	EBIT/Sales	Sales/Total Assets	Total Assets/Equity	RoE (%)
MOIL	0.6	1.4	0.4	0.4	1.2	14.9
NMDC	0.6	1.1	0.5	0.4	1.2	15.6
GMDC	0.7	1.1	0.2	0.4	1.2	8.1
Coal India	0.7	1.0	0.1	0.7	6.4	21.4

Source: Company, Karvy Research, *Calculated on FY18 values

Valuation & Risks

We believe that mineral ore demand will continue to strengthen at domestic and global level in view of increased infra-structure spending across leading economies. MOIL with 45 per cent market share and medium-to-high grade of manganese ore production capability, is going to be a beneficiary of increased production of steel. MOIL may tap into market where shortage of high grade manganese ore has given rise to import demand. We have valued the stock on 5 years average of 1 year forward PE 10.2x of FY20E EPS and have arrived at TP of Rs. 232 with potential upside of 38% and initiate coverage with **“BUY”** rating.

However, key risk to valuation is cyclical nature of steel demands, economic slowdown in China and lingering out of global trade war.

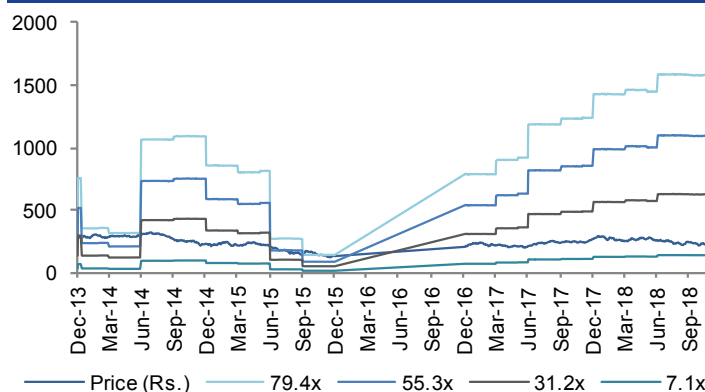
Looking at the potential of increased demand for manganese ore, the company appears to be attractively placed in terms of valuation.

Exhibit 25: PE Band



Source: Company, Karvy Research

Exhibit 26: MSCI Metals & Mining World Index - PE Band



Source: Company, Karvy Research

Exhibit 27(a): Comparative Valuation Summary

	CMP (Rs.)	Mcap (Rs. Mn)	EV/EBITDA (x)				P/E (x)				EPS (Rs.)			
			FY17	FY18	FY19E	FY20E	FY17	FY18	FY19E	FY20E	FY17	FY18	FY19E	FY20E
MOIL Ltd.	168	43344	20.2	5.5	2.6	1.8	26.3	12.1	8.6	7.4	11.9	16.2	19.5	22.8
NMDC Ltd.	97	298830	9.5	5.6	3.9	4.5	4.8	9.9	8.7	7.4	8.6	12.0	10.9	12.8
GMDC Ltd.	86	27587	9.2	7.0	4.5	4.1	2.4	11.0	6.1	5.5	10.2	11.1	14.2	15.7
Coal India Ltd.	249	1532609	12.3	15.2	5.0	4.7	2.3	13.7	9.4	9.0	14.8	11.3	26.2	27.3

Source: Bloomberg, Karvy Research

Exhibit 27(b): Comparative Operational Metrics Summary

	CAGR % (FY18-20E)			RoE (%)				Price Perf (%)			Net Sales (Rs. Mn)			
	Sales	EBITDA	EPS	FY17	FY18	FY19E	FY20E	3m	6m	12m	FY17	FY18	FY19E	FY20E
MOIL Ltd.	15.1	20.4	0.0	9.8	14.9	16.8	17.2	(10.5)	(9.8)	(28.2)	9898	13235	15650	17521
NMDC Ltd.	0.7	(2.0)	3.0	9.8	16.2	16.4	12.7	(24.4)	(25.3)	(47.9)	88281	116149	122441	117669
GMDC Ltd.	7.3	10.0	19.0	8.5	8.5	10.0	10.5	(24.4)	(25.3)	(47.9)	15367	20700	21317	23812
Coal India Ltd.	12.8	60.0	56.0	31.9	31.6	74.4	74.0	(14.5)	(17.5)	(11.4)	754591	817000	981476	1038669

Source: Bloomberg, Karvy Research

Financials

Exhibit 28: Income Statement

YE Mar (Rs. Mn)	FY16	FY17	FY18	FY19E	FY20E
Revenues	6346	9898	13235	15650	17521
Growth (%)	(22.9)	56.0	33.7	18.3	12.0
Operating Expenses	5641	6926	7908	8763	9805
EBITDA	705	2973	5327	6887	7716
Growth (%)	27.0	22.8	14.2	10.8	11.9
Depreciation & Amortization	527	547	624	694	771
EBIT	178	2426	4702	6194	6945
Other Income	2522	2211	1777	1565	2102
PBT	2701	4635	6434	7759	9047
Tax	973	1561	2259	2725	3177
PAT	1728	3074	4174	5034	5870
Growth (%)	(59.6)	77.9	35.8	20.6	16.6

Source: Company, Karvy Research

Exhibit 29: Balance Sheet

YE Mar (Rs. Mn)	FY16	FY17	FY18	FY19E	FY20E
Cash & other bank balances	28512	20911	21391	25034	29599
Trade Receivable	1420	2413	1900	1701	1659
Inventory	1630	1222	973	742	698
Other Financial Assets	1793	1934	2236	2382	2540
Net Block	3977	4424	5863	6381	6820
Total Assets	37332	30904	32364	36240	41315
Liabilities & Provisions	2814	2850	4418	4394	4733
Total Liabilities	2814	2850	4418	4394	4733
Equity Capital	1680	1332	2576	2576	2576
Reserves & Surplus	32838	26722	25370	29271	34007
Total Network	34518	28053	27946	31847	36583
Total Network & Liabilities	37332	30904	32364	36240	41315

Source: Company, Karvy Research

Exhibit 30: Cash Flow Statement

YE Mar (Rs. Mn)	FY16	FY17	FY18	FY19E	FY20E
PBT	2701	4635	6434	7759	9047
Depreciation	527	547	624	694	771
Interest	(2433)	(1729)	(1524)	(1565)	(2102)
Tax Paid	(978)	(1605)	(2297)	(2725)	(3177)
Changes in WC	(64)	(676)	1997	214	222
Others	9	7	53	46	46
Cash flow from operating activities	(240)	1178	5287	4423	4806
Inc/dec in capital expenditure	(978)	(1063)	(2070)	(1212)	(1210)
Others	2433	(4814)	(1903)	22715	2102
Cash flow from investing activities	1455	(5877)	(3973)	21503	892
Dividend and dividend tax	(1013)	(802)	(1924)	(1133)	(1133)
Others	0	(4)	(211)	0	0
Cash flow from financing activities	(1013)	(805)	(2134)	(1133)	(1133)
Net change in cash	202	(5504)	(820)	24792	4565

Source: Company, Karvy Research

Exhibit 31: Key Ratios

YE Mar	FY16	FY17	FY18	FY19E	FY20E
EBITDA Margin (%)	11.1	30.0	40.2	44.0	44.0
EBIT Margin (%)	2.8	24.5	35.5	39.6	39.6
Net Profit Margin (%)	27.2	31.1	31.5	32.2	33.5
Dividend Payout Ratio (%)	74.7	92.3	33.9	28.2	24.2
Net Debt/Equity (x)	(0.8)	(0.7)	(0.8)	(0.8)	(0.8)
RoE (%)	5.1	9.8	14.9	16.8	17.2
RoCE (%)	0.5	7.8	16.8	20.7	20.3

Source: Company, Karvy Research


Exhibit 32: Valuation Parameters

YE Mar	FY16	FY17	FY18	FY19E	FY20E
EPS (Rs.)	6.7	11.9	16.2	19.5	22.8
DPS (Rs.)	5.0	11.0	5.5	5.5	5.5
BVPS (Rs.)	134	109	108	124	142
PE (x)	15.2	12.6	11.9	8.6	7.4
P/BV (x)	0.8	1.4	1.8	1.4	1.2
EV/EBITDA (x)	(3.1)	6.0	5.3	2.6	1.8
EV/Sales (x)	(0.3)	1.8	2.1	1.2	0.8

Source: Company, Karvy Research; *Represents multiples for FY16 - FY18 are based on historic market price

Stock Ratings	Absolute Returns
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