

Q4FY19 – A Mixed Performance

MOIL Limited has posted a mixed set of standalone numbers for Q4FY19 wherein it's revenue at Rs. 4366 Mn (as against our estimate of Rs. 4360 Mn) grew by 31.2% on QoQ basis and 9.8% on YoY basis on the back of strong demand from steel sector. EBITDA at Rs. 1581 Mn grew by 2.2% on QoQ basis and de-grew by 8.2% on YoY basis. EBITDA margin at 36.2% contracted by 1025 bps on QoQ basis and 709 bps on YoY basis. EBITDA margin got contracted as a result of sharp jump in operating expenses which stood at 64% of net sales as against 54% in previous quarter and 57% in corresponding quarter of FY18. PAT at Rs. 1351 Mn grew by 12.3% on QoQ basis and 5.7% on YoY basis.

Segmental performance shows encouraging trend in mining and manufacturing revenue. Mining revenue at Rs. 4012 Mn grew by 28.3% on QoQ basis and 11.1% on YoY basis whereas manufacturing revenue at Rs. 398 Mn grew by 60.0% on QoQ basis and 0.3% on YoY basis thus exhibiting positive trend. But, power business at Rs. 14 Mn de-grew by 18.7% on QoQ basis and 35.6% on YoY basis thereby proving to be disappointing. However, segmental margins paint a somewhat gloomy picture as there has been contraction in margins across segments. Mining margins at 32.6% got contracted by 867 bps on QoQ basis and 431 bps on YoY basis. Manufacturing margins at 18.0% got contracted by 1279 bps on QoQ basis and 3386 bps on YoY basis. Power margins at 38.8% got contracted by 1002 bps on QoQ basis and 2193 bps on YoY basis.

Full Year FY19 Operating Performance: The company's revenue at Rs. 14407 Mn grew by 9% over FY18 which confirms to positive demand trend for manganese ore. EBITDA at Rs. 5958 Mn grew by 7% and EBITDA margins at 41% expanded by 111 bps over FY18. PAT at Rs. 4739 Mn grew by 12%. Going forward, we believe that the company's sales will grow at CAGR of 10%, EBITDA at 9% and PAT at 8% over FY19-21E.

Valuation and Risks

We value the stock on 5 years average PE 10.3x of FY21E EPS which gives TP of Rs. 223 with potential upside of 40% and reiterate our **"BUY"** rating on stock. However, key risks to valuation could be slowdown in domestic economy and lingering of global trade war.

Exhibit 1: Valuation Summary

YE Mar (Rs. Mn)	FY17	FY18	FY19	FY20E	FY21E
Net Sales	9898	13235	14407	15837	17409
EBITDA	2973	5327	5958	6440	7080
EBITDA Margin (%)	30.0	40.2	41.4	40.7	40.7
Net Profit	3074	4220	4739	5101	5571
EPS (Rs.)	11.9	16.4	18.4	19.8	21.6
RoE (%)	9.8	15.1	16.1	15.6	15.1
PE (x)	12.6	11.8	8.8	8.0	7.3

Source: Company, Karvy Research; *Represents multiples for FY17 - FY19 are based on historic market price

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Recommendation (Rs.)

CMP (as on May 24, 2019)	159
Target Price	223
Previous Target Price	223
Upside (%)	40

Stock Information

Mkt Cap (Rs.mn/US\$ mn)	40934 / 589
52-wk High/Low (Rs.)	201 / 140
3M Avg. daily value (Rs. mn)	30.1
Beta (x)	0.9
Sensex/Nifty	39435 / 11844
O/S Shares(mn)	257.6
Face Value (Rs.)	10.0

Shareholding Pattern (%)

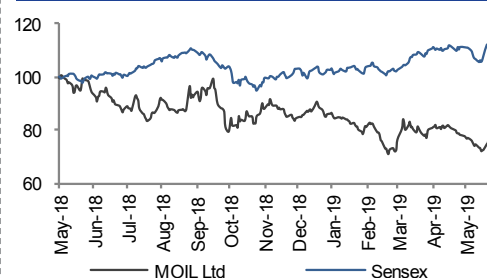
Promoters	65.7
FII's	3.9
DII's	13.7
Others	16.8

Stock Performance (%)

	1M	3M	6M	12M
Absolute	2	11	(6)	(19)
Relative to Sensex	1	1	(16)	(29)

Source: Bloomberg

Relative Performance*



Source: Bloomberg; *Index 100

Earnings Revision (%)

YE Mar	FY20E	FY21E
Sales (%)	↓ (9.6)	↓ (9.6)
EBITDA (%)	↓ (15.5)	↓ (14.1)
PAT (%)	↓ (12.2)	↓ (11.5)

Source: Karvy Research

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Exhibit 2: Key Assumptions

Manganese Ore (volume in MTs)	FY18	FY19	FY20E	FY21E
Non-fines	0.974	1.1	1.24	1.4
YoY Growth (%)		13.0	13.0	13.0
Fines	0.213	0.17	0.14	0.11
YoY Growth (%)		(20.0)	(20.0)	(20.0)
Total	1.187	1.399	1.507	1.641
(%)		18.0	8.0	9.0
Manganese Ore (sales in Mn)				
Non-fines	11396.3	12686	14121	15719
YoY Growth (%)		11.0	11.0	11.0
Fines	711.5	523	384	282
Growth (%)		(27.0)	(27.0)	(27.0)
Total Sales	12108	13209	14505	16001
(%)		9.0	10.0	10.0

Source: Company, Karvy Research

Market Perspective: About 95% of manganese ore is used in steel manufacturing. Thus, demand outlook for manganese ore is directly linked with outlook for steel. So far, demand of steel has suffered in recent months because of overall slowdown in construction and manufacturing activities mainly as a result of slowdown in capex activities ahead of general election, sharp contraction in auto sector, tightened liquidity and steel dumping activities indulged by countries such as China, Japan and South Asia.

At global level, trade war between USA and China appears to be protracted one in view of adamant approach adopted by both the parties which may have contagion impact engulfing global economies. In the meantime, top economic advisor of Mr. Donald Trump has given to understand that Trump might meet Chinese President Xi Jinping at G20 economic summit in Japan in the next month and we can expect some kind of trade agreement reaching between them.

If trade agreement is reached out, it would be big positive for global growth. Business sentiment will improve and increased manufacturing and construction activities would lead to greater demand for steel and for that matter manganese ore.

Exhibit 3: Q4FY19

YE Mar (Rs. Mn)	Q4FY19	Q3FY19	QoQ (%)	Q4FY18	YoY (%)
Income from Operations	4366	3328	31.2	3976	9.8
Expenditure	2785	1782	56.3	2254	23.6
EBITDA	1581	1546	2.2	1721	(8.2)
Depreciation	195	170	14.7	169	15.8
Other Income	509	473	7.5	456	11.7
PBT	1894	1849	2.5	2008	(5.7)
Tax	544	647	(15.9)	731	(25.6)
PAT	1351	1203	12.3	1278	5.7
EBITDA Margin (%)	36.2	46.5	(1025) bps	43.3	(709) bps
EBIT Margin (%)	31.7	41.3	(961) bps	39.1	(732) bps
Net Profit Margin (%)	30.9	36.1	(520) bps	32.1	(120) bps

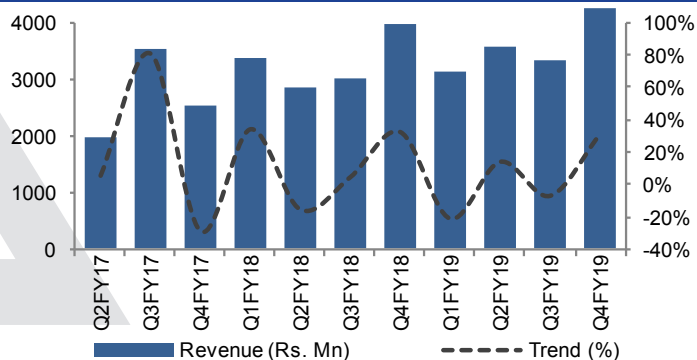
Source: Company, Karvy Research

Exhibit 4: Segmental Financials

YE Mar (Rs. Mn)	Q4FY19	Q3FY19	QoQ %	Q4FY18	YoY %
Segment-wise revenues					
Mining	4012	3126	28.3	3612	11.1
Manufacturing	398	249	60.0	396	0.3
Power	14	17	(18.7)	22	(35.6)
Segment-wise EBIT					
Mining	1308	1291	1.4	1334	(1.9)
Manufacturing	71	76	(6.5)	205	(65.2)
Power	6	9	(35.4)	13	(58.8)
Segment-wise EBIT Margin (%)					
Mining	32.6	41.3	(867) bps	36.9	(431) bps
Manufacturing	18.0	30.8	(1279) bps	51.8	(3386) bps
Power	38.8	48.8	(1002) bps	60.7	(2193) bps

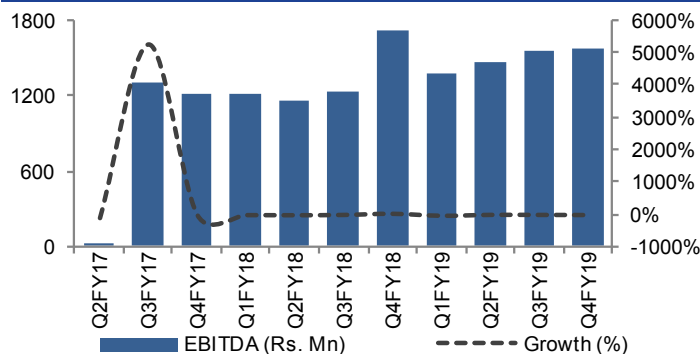
Source: Company, Karvy Research

Exhibit 5: Qtrly Revenue and Revenue Growth Trend



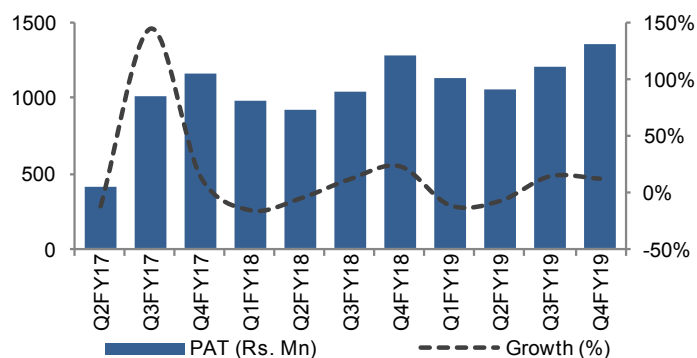
Source: Company, Karvy Research

Exhibit 6: Qtrly EBITDA and EBITDA Growth Trend



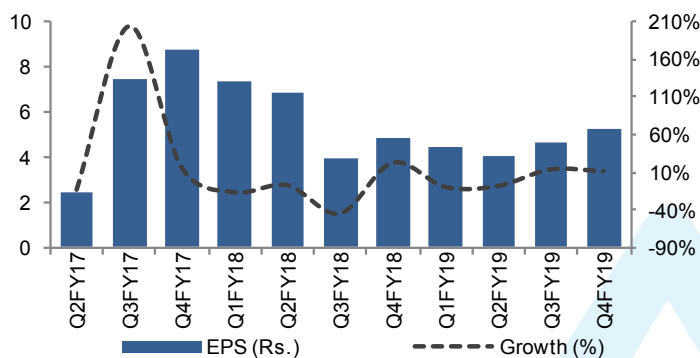
Source: Company, Karvy Research

Exhibit 7: Qtrly PAT and PAT Growth Trend



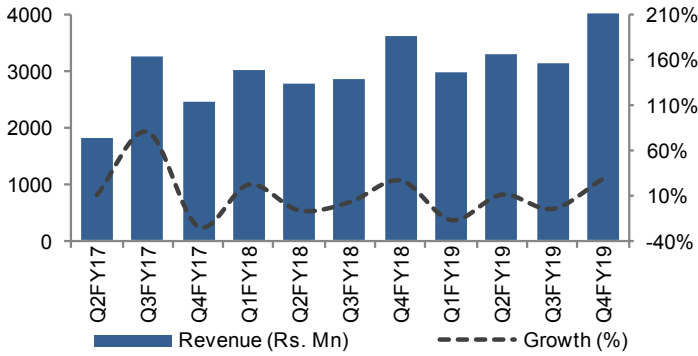
Source: Company, Karvy Research

Exhibit 8: Qtrly EPS Growth Trend



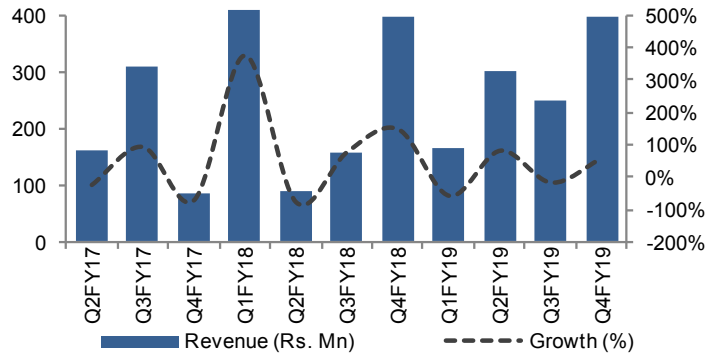
Source: Company, Karvy Research

Exhibit 9: Qtrly Mining Revenue and Growth



Source: Company, Karvy Research

Exhibit 10: Qtrly Manufacturing Revenue and Growth



Source: Company, Karvy Research

Exhibit 11: Change in Earnings Estimates

YE Mar - Consolidated (Rs. Mn)	FY20E			FY21E		
	Old	New	% Change	Old	New	% Change
Net Sales	17521	15837	(9.6)	19267	17409	(9.6)
EBITDA	7620	6440	(15.5)	8246	7080	(14.1)
EBITDA Margin (%)	43.5	40.7	(283) bps	42.8	40.7	(213) bps
Adj. PAT	5808	5101	(12.2)	6295	5571	(11.5)
EPS (Rs.)	22.5	20	(12.0)	24.4	22	(11.4)

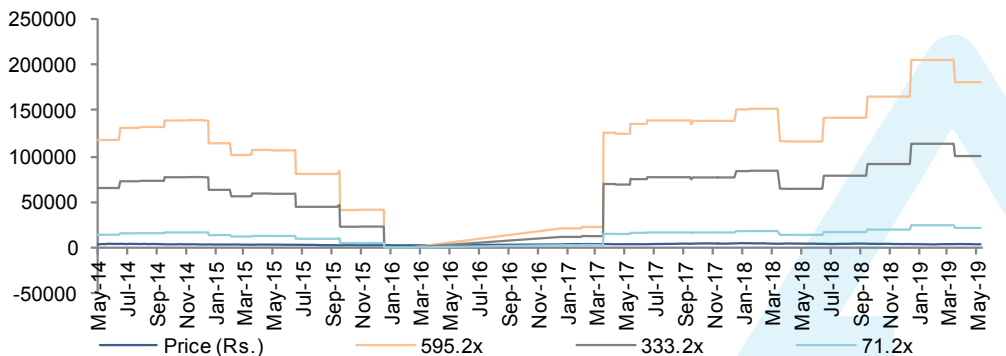
Source: Karvy Research

Exhibit 12: 5 year PE Band for MOIL Ltd



Source: Bloomberg, Karvy Research

Exhibit 13: 5 year PE Band for Nifty Metals Index



Source: Bloomberg, Karvy Research

Financials

Exhibit 14: Income Statement

YE Mar (Rs. Mn)	FY17	FY18	FY19	FY20E	FY21E
Revenues	9898	13235	14407	15837	17409
Growth (%)	56.0	33.7	8.9	9.9	9.9
Operating Expenses	6926	7908	8449	9396	10329
EBITDA	2973	5327	5958	6440	7080
Growth (%)	22.8	14.2	6.8	11.2	9.9
Depreciation & Amortization	547	624	668	790	924
EBIT	2426	4702	5289	5650	6156
Other Income	2211	1777	1908	2097	2306
PBT	4635	6479	7198	7748	8462
Tax	1561	2259	2459	2647	2890
PAT	3074	4220	4739	5101	5571
Growth (%)	77.9	37.3	12.3	7.6	9.2

Source: Company, Karvy Research

Exhibit 15: Balance Sheet

YE Mar (Rs. Mn)	FY17	FY18	FY19	FY20E	FY21E
Cash & other bank balances	20911	21391	22619	24674	28087
Trade Receivable	2413	1900	1318	1458	1594
Inventory	1222	973	1026	1171	1244
Other Financial Assets	1934	2278	3854	3880	4103
Net Block	4424	5863	7272	7849	8631
Total Assets	30904	32405	36090	39032	43660
Liabilities & Provisions	2850	4413	5263	4341	4634
Total Liabilities	2850	4413	5263	4341	4634
Equity Capital	1332	2576	2576	2576	2576
Reserves & Surplus	26722	25416	28251	32116	36450
Total Networth	28053	27992	30827	34692	39026
Total Networth & Liabilities	30904	32405	36090	39032	43660

Source: Company, Karvy Research

Exhibit 16: Cash Flow Statement

YE Mar (Rs. Mn)	FY17	FY18	FY19P	FY20E	FY21E
PBT	4635	6479	7198	7748	8462
Depreciation	547	624	668	790	924
Interest	(1729)	(1524)	(1908)	(2097)	(2306)
Tax Paid	(1605)	(2297)	(2459)	(2647)	(2890)
Changes in WC	(676)	1997	715	(1233)	(139)
Others	7	53	0	0	0
Cash flow from operating activities	1178	5332	4214	2561	4050
Inc/dec in capital expenditure	(1063)	(2070)	(2078)	(1367)	(1707)
Others	(4814)	(1903)	651	24504	2306
Cash flow from investing activities	(5877)	(3973)	(1427)	23137	599
Dividend and dividend tax	(802)	(1924)	(1236)	(1236)	(1236)
Others	(4)	(211)	0	0	0
Cash flow from financing activities	(805)	(2134)	(1236)	(1236)	(1236)
Net change in cash	(5504)	(775)	1550	24462	3413

Source: Company, Karvy Research

Exhibit 17: Key Ratios

YE Mar	FY17	FY18	FY19	FY20E	FY21E
EBITDA Margin (%)	30.0	40.2	41.4	40.7	40.7
EBIT Margin (%)	24.5	35.5	36.7	35.7	35.4
Net Profit Margin (%)	31.1	31.9	32.9	32.2	32.0
Dividend Payout Ratio (%)	92.2	33.6	32.6	30.3	27.7
Net Debt/Equity (x)	(0.7)	(0.8)	(0.7)	(0.7)	(0.7)
RoE (%)	9.8	15.1	16.1	15.6	15.1
RoCE (%)	7.8	16.8	18.0	17.2	16.7

Source: Company, Karvy Research


Exhibit 18: Valuation Parameters

YE Mar	FY17	FY18	FY19	FY20E	FY21E
EPS (Rs.)	11.9	16.4	18.4	19.8	21.6
DPS (Rs.)	11.0	5.5	6.0	6.0	6.0
BVPS (Rs.)	108.9	108.7	119.7	134.7	151.5
PE (x)	12.6	11.8	8.8	8.0	7.3
P/BV (x)	1.4	1.8	1.3	1.2	1.0
EV/EBITDA (x)	6.0	5.3	3.2	2.5	1.8
EV/Sales (x)	1.8	2.1	1.3	1.0	0.7

Source: Company, Karvy Research; *Represents multiples for FY17 - FY19 are based on historic market price

Stock Ratings	Absolute Returns
Buy	: > 15%
Hold	: 5-15%
Sell	: < 5%

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