

Result Update

Stock Details

Market cap (Rs mn)	:	42609
52-wk Hi/Lo (Rs)	:	262 / 154
Face Value (Rs)	:	10
3M Avg. daily vol (Nos)	:	361,552
Shares o/s (mn)	:	258

Source: Bloomberg

Financial Summary

Y/E Mar (Rs mn)	FY18	FY19E	FY20E
Revenue	13,235	13,379	14,737
Growth (%)	34.8	1.1	10.1
EBITDA	5,327	5,694	6,624
EBITDA margin (%)	40.2	42.6	44.9
PAT	4,220	4,430	4,993
EPS	16.4	17.2	19.4
EPS Growth (%)	37.3	5.0	12.7
BV (Rs/share)	109	119	132
Dividend/share (Rs)	5.5	5.5	5.5
ROE (%)	15.1	14.4	14.7
ROCE (%)	13.0	12.3	12.5
P/E (x)	10.1	9.6	8.5
EV/EBITDA (x)	4.0	3.7	2.8
P/BV (x)	1.5	1.4	1.3

Source: Company, Kotak Securities - PCG

Shareholding Pattern (%)

(%)	Sep-18	Jun-18	Mar-18
Promoters	65.7	65.7	65.6
FII	4.1	3.7	3.6
DII	13.4	13.7	10.2
Others	16.8	16.9	20.6

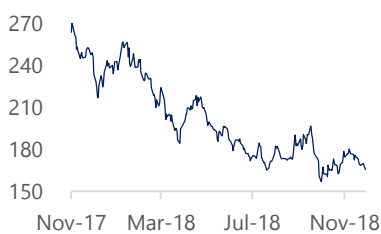
Source: Company

Price Performance (%)

(%)	1M	3M	6M
MOIL Ltd	(3.1)	(10.0)	(14.3)
Nifty	5.9	(7.1)	2.1

Source: Bloomberg

Price chart (Rs)



Source: Bloomberg

MOIL LTD

PRICE Rs.165

TARGET Rs.260

BUY

MOIL Q2FY19 revenue was higher than estimates, driven by better than expected sales volume. Blended ore realizations stood at Rs10,560/tonne were 12.7% below our estimates, which partly offset the benefit of higher volumes. The company had taken 5% price hike in the month of Sep'18 and 10% in Oct'18, the benefit of the same will reflect in 3QFY19.

Key Highlights

- ❑ Manganese ore shipments grew 17.7% YoY and 28.4% QoQ to 312kt (production volume stood at 275kt). Blended realisation during the quarter declined by Rs1,698/tonne sequentially to Rs10,560/tonne.
- ❑ PAT during the quarter stood at Rs1.05 bn, marginally lower than our estimate of Rs1.09bn, due to higher tax rate of 40.2%.
- ❑ Management had guided for a 10% increase in FY19 sales volumes with expansion of underground mining capacity and higher production of domestic steel.

Valuation & outlook

Manganese ore outlook remains positive with the firm domestic demand led by higher steel production. Cash and cash equivalents at the end of 2QFY19 stood at Rs23.3 bn (~50% of market cap). Given its strong business model, robust balance sheet with strong liquidity positions and its dominant position in the domestic, supports our positive stance on the stock. At CMP, the stock trades at 9.6x/8.5x FY19E/FY20E earnings and on EV/EBITDA, it trades at 3.7x/2.8x FY19E/FY20E EBITDA. We reiterate our BUY rating on the stock with an unchanged target price of Rs260.

Quarterly performance table

Particulars (Rs Mn)	2QFY19	2QFY18	% YoY	1QFY19	% QoQ
Sales	3,578	2,867	24.8	3,135	14.1
Raw Materials	279	135		(199)	
% of Sales	7.8	4.7		(6.4)	
Employee expenses	962	873		996	
% of Sales	26.9	30.4		31.8	
Other Expenses	873	695		970	
% of Sales	24.4	24.2		30.9	
EBITDA	1,463	1,165	25.6	1,368	7.0
EBITDA margin (%)	40.9	40.6		43.6	
Depreciation	156	152		146	
Interest	0	0		0	
EBT	1,307	1,013		1,221	
Other Income	451	424		475	
Extraordinary	0	0		0	
PBT	1,758	1,437	22.3	1,696	3.6
Tax	707	510		562	
PAT	1,051	927	13.4	1,134	(7.4)
NPM (%)	29.4	32.3		36.2	

Source: Company, Kotak Securities – Private Client Research

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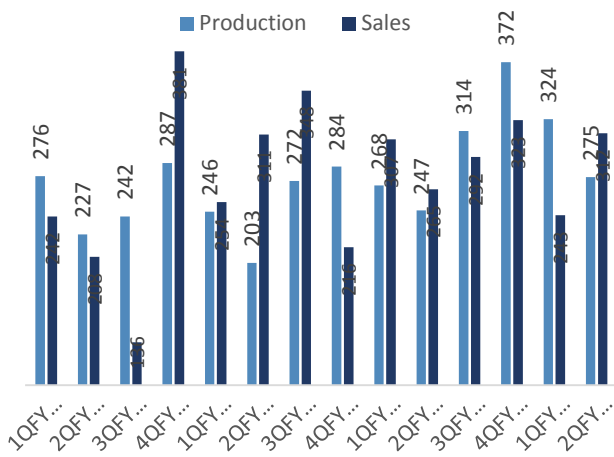
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Lower realisation partly offset volume benefit

Sales volume during the quarter stood at 312kt, up 17.7%/28.4% YoY/QoQ, higher than estimates and also higher than the production volume of 275kt, resulting in liquidation of inventory, which was build up in previous quarter. Decline in blended ore realisation, partly offset the benefit of the higher volume. Realisation during the quarter declined by 13.9% QoQ to Rs10,560/tonne (up 1.5% YoY), as the company had cut prices in the month of June 2018. MoIL had taken price hike in the month of September and October 2018, the benefit of the same will reflect in 3QFY19 operating performance.

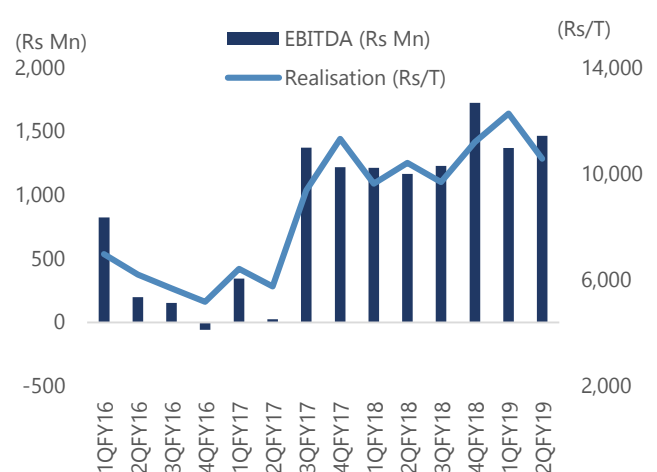
EBITDA during the quarter grew 25.6% YoY and 7% QoQ to Rs1.46bn, with an EBITDA margin of 40.9% (down 270 bps QoQ). We expect margin to remain in the range of 42-45%. The outlook for volumes remains positive with higher production of domestic steel. We have modeled 1.24MT and 1.34MT of volume in FY19E and FY20E, respectively. The company focus on improving its product mix with a focus on hydrate non-fines, can also be an upside risk to our estimates.

Mn ore production and sales volume ('000 T)



Source: Company

Mn ore realisation and EBITDA trend



Source: Company

Robust balance sheet with healthy liquidity position

MOIL is a debt free company with a robust balance sheet and a healthy liquidity position. The strong balance sheet, makes the company better placed to expand its mining capacity and to acquire other mines. The company is well placed to fund its capex, backed by its strong cash flow. It has a healthy operating cash flow of ~Rs4bn every year, which would further add up to the cash balance. We expect cash and cash equivalents to rise up to Rs24.2bn at the end of FY20E. Besides this, dividend yield is likely to remain in the range of 2-3% in the coming years. Higher liquidity and attractive dividend yield provide a high margin of safety.

Recommend BUY

At current valuation of 2.8x FY20E EV/EBITDA, the stock is attractive compared to other mining companies. Given its strong business model backed by low cost operations, robust balance sheet and improvement in demand backed by rising steel production, we believe MOIL is well poised to capitalize on the opportunity. Besides this, visibility of improvement in domestic demand of high grade manganese ore, we believe manganese ore prices in the domestic market is likely to remain firm, which should support the earnings. We reiterate BUY, with a target price of Rs260.

Company Background

MOIL has ~81.47MT of reserves & resources (R&R) of manganese ore out of which ~44% are proven reserves. Currently, MOIL operates 10 mines: six in Maharashtra and four in Madhya Pradesh. These include 3 open cast mines and 7 underground mines. The company's annual production of manganese ore is over 1MT. MOIL also has a ferro manganese plant with an installed capacity of 10000 tonnes, an electrolytic manganese dioxide (EMD) plant with a capacity of 1000 tonnes and two wind power plants with an aggregate capacity of 20 MW.

Financials: Standalone

Profit and Loss Statement (Rs mn)

(Year-end Mar)	FY17	FY18	FY19E	FY20E
Net sales	9,819	13,235	13,379	14,737
growth (%)	56.2	34.8	1.1	10.1
Operating expenses	6,847	7,908	7,685	8,113
EBITDA	2,972	5,327	5,694	6,624
growth (%)	225.4	79.2	6.9	16.3
Depreciation & amortisation	549	624	704	812
EBIT	2,423	4,702	4,990	5,812
Other income	2,212	1,777	1,622	1,640
Interest paid	0	0	0	0
PBT	4,635	6,479	6,612	7,453
Tax	1,561	2,259	2,182	2,459
Effective tax rate (%)	33.7	34.9	33.0	33.0
Net profit	3,074	4,220	4,430	4,993
Minority interest	0	0	0	0
Reported Net profit	3,074	4,220	4,430	4,993
Adjusted Net profit	3,074	4,220	4,430	4,993
growth (%)	77.9	37.3	5.0	12.7

Source: Company, Kotak Securities – Private Client Research

Cash flow Statement (Rs mn)

(Year-end Mar)	FY17	FY18	FY19E	FY20E
Pre-tax profit	4,635	6,479	6,612	7,453
Depreciation	549	624	704	812
Chg in working capital	(573)	1,608	430	(211)
Total tax paid	1,605	2,259	2,182	2,459
Operating CF	3,005	6,452	5,564	5,594
Capital expenditure	(1,063)	(1,935)	(3,611)	(1,350)
Chg in investments	(2)	(235)	0	0
Other investing activities	1,729	0	0	0
Investing CF	664	(2,170)	(3,611)	(1,350)
Equity	(8,734)	(2,104)	0	0
Debt raised/(repaid)	0	0	0	0
Dividend (incl. tax)	802	1,707	1,707	1,707
Other financing activities	0	0	0	0
Financing CF	(9,536)	(3,811)	(1,707)	(1,707)
Net chg in cash & bank bal.	(5,866)	471	245	2,537
Closing cash & bank bal	20,920	21,391	21,636	24,174

Source: Company, Kotak Securities – Private Client Research

Balance Sheet (Rs mn)

(Year-end Mar)	FY17	FY18	FY19E	FY20E
Cash & Bank balances	20,920	21,391	21,636	24,174
Other Current assets	4,940	4,437	5,012	5,609
Investments	2	235	235	235
Net fixed assets	4,486	5,863	8,770	9,309
Other non-current assets	436	480	480	480
Total assets	30,784	32,405	36,134	39,805
Current liabilities	2,668	4,390	5,396	5,782
Borrowings	0	0	0	0
Other non-current liabilities	60	23	23	23
Total liabilities	2,728	4,413	5,419	5,805
Share capital	1,332	2,576	2,576	2,576
Reserves & surplus	26,721	25,416	28,139	31,425
Shareholders' funds	28,053	27,992	30,715	34,001
Minority interest	0	0	0	0
Total equity & liabilities	30,782	32,405	36,134	39,805

Source: Company, Kotak Securities – Private Client Research

Ratio Analysis

(Year-end Mar)	FY17	FY18	FY19E	FY20E
Profitability and return ratios (%)				
EBITDAM	30.3	40.2	42.6	44.9
EBITM	24.7	35.5	37.3	39.4
NPM	31.3	31.9	33.1	33.9
RoE	11.0	15.1	14.4	14.7
RoCE	10.0	13.0	12.3	12.5
Per share data (Rs)				
EPS	23.1	16.4	17.2	19.4
CEPS	27.2	18.8	19.9	22.5
BV	210.6	108.7	119.2	132.0
DPS	11.0	5.5	5.5	5.5
Valuation ratios (x)				
PE	7.1	10.1	9.6	8.5
P/BV	0.8	1.5	1.4	1.3
EV/EBITDA	0.4	4.0	3.7	2.8
EV/Sales	0.1	1.6	1.6	1.2
Other key ratios				
D/E (x)	0.0	0.0	0.0	0.0
DSO (days)	90	52	52	52

Source: Company, Kotak Securities – Private Client Research

RATING SCALE

Definitions of ratings

- BUY** – We expect the stock to deliver more than 12% returns over the next 12 months
- ACCUMULATE** – We expect the stock to deliver 5% - 12% returns over the next 12 months
- REDUCE** – We expect the stock to deliver 0% - 5% returns over the next 12 months
- SELL** – We expect the stock to deliver negative returns over the next 12 months
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