

**NMDC**

Refer to important disclosures at the end of this report

# Strong volume growth to offset allocation premium; Reiterate Buy

**CMP: Rs 91**

as of (November 12, 2020)

**TP: Rs 136 (▼)**

12 months

**Rating: BUY (■)**

**Upside: 49.9 %**

- NMDC is likely to restart Donimalali mines in Q4 or even earlier. Steel prices rallied by Rs10,000/t in the last six months, while iron ore prices have inched up by only Rs1,350/t. This leaves scope for further iron ore price hikes.
- We expect construction to pick up after Diwali, leading to a rally in TMT prices, which should in turn push iron ore prices even higher. NMDC is likely to achieve at least FY20 volumes, which implies a strong 18% volume growth in H2 coupled with higher prices.
- We do not see allocation premium to dent EBITDA as: 1) volume growth over the next three years will offset the loss in EBITDA and 2) NMDC has the option to raise prices to offset rising costs. We expect the steel demerger process to be completed in FY22.
- We raise FY22/23 volume estimates by 12%/16% and ASPs by 11%/4%. But due to inclusion of allocation premium, we expect EBITDA to reduce by 4%/15% in FY22/23. Maintain Buy with a revised TP of Rs136 (Rs140 earlier) after incorporating the allocation premium for all mines from FY22, except for K'swamy which starts in H2FY23.

**Allocation premium on mineral - mechanics:** All mines - iron ore or otherwise - under the allocation route to the PSUs will be subject to the premium, to be levied provisionally at 22.5%. The premium is not a pass-through, but NMDC always has the option of raising prices to offset its costs. The premium shall be chargeable on mines coming for second renewal/or already renewed for the second time. Hence, all mines of NMDC in C'garh and Donimalai mines in K'tka should be impacted. K'swamy mines are due for renewal in Oct-22. We have factored in the impact of a 22.5% premium in our earnings estimates.

**Domestic iron ore situation to remain tight:** Out of 17 iron ore mines that have been auctioned in Odisha so far, only 7 have restarted. Out of target production of 24.5mt in H1FY21, actual production was only 4mt. In addition, logistics are choked both on railway and at port. We expect the situation to ease in Q1FY22. Till then, production should remain curtailed. The cost of high iron ore will impact integrated steel players in the near term as their costs will be higher than merchant rates, giving merchant miners scope to raise prices further.

**Outlook and valuation:** NMDC has already installed two screening lines in Bachheli and Kirandul to increase volumes which should deliver 2-3mt in FY22. The restart of Donimalai mines should add 7mt in FY22. The extension of ML at K'swamy mines from 7 to 10 mt will add another 1.5mt in FY22 and 3mt in FY23. We expect 12%/16% volume growth in FY22/23 at NMDC which will help offset allocation premium expense. The divestment of the Nagarnar Steel Plant should further help boost shareholder value. NMDC's mining balance sheet will not be impacted by debt taken for the steel plant. Currently in K'taka, in addition to royalty, 10% is deducted on account of R&R (Rs23bn or Rs7.5/share) which is to be refunded to NMDC and could be distributed as a special dividend. Maintain Buy with a revised TP of Rs136 (Rs107/share for mining business and Rs29/share for steel). Key risk is a decline in iron ore prices.

Please see our sector model portfolio (Emkay Alpha Portfolio): [Metals & Mining \(Page 10\)](#)

## Financial Snapshot (Consolidated)

(Rs mn)	FY19	FY20	FY21E	FY22E	FY23E
Revenue	121,527	116,992	119,388	143,221	145,824
EBITDA	69,244	60,019	60,583	56,765	52,705
EBITDA Margin (%)	57.0	51.3	50.7	39.6	36.1
APAT	46,375	36,988	45,366	43,098	39,749
EPS (Rs)	15.1	12.1	14.8	14.1	13.0
EPS (% chg)	31.0	(20.2)	22.7	(5.0)	(7.8)
ROE (%)	18.4	13.8	15.6	13.5	11.6
P/E (x)	6.0	7.5	6.1	6.4	7.0
EV/EBITDA (x)	3.3	4.2	3.9	4.1	4.5
P/BV (x)	1.1	1.0	0.9	0.8	0.8

Source: Company, Emkay Research



## Change in Estimates

EPS Chg FY21E/FY22E (%)	5/-3
Target Price change (%)	(2.9)
Target Period (Months)	12
Previous Reco	BUY

## Emkay vs Consensus

EPS Estimates		
	FY21E	FY22E
Emkay	14.8	14.1
Consensus	12.5	13.3
Mean Consensus TP (12M)	Rs 117	

## Stock Details

Bloomberg Code	NMDC IN
Face Value (Rs)	1
Shares outstanding (mn)	3,062
52 Week H/L	140 / 62
M Cap (Rs bn/USD bn)	278 / 3.74
Daily Avg Volume (nos.)	9,073,629
Daily Avg Turnover (US\$ mn)	11.1

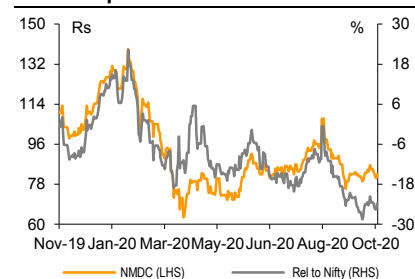
## Shareholding Pattern Sep '20

Promoters	69.7%
FIIIs	4.5%
DIIIs	20.4%
Public and Others	5.5%

## Price Performance

(%)	1M	3M	6M	12M
<b>Absolute</b>	11	(3)	25	(12)
<b>Rel. to Nifty</b>	4	(14)	(9)	(18)

## Relative price chart



Source: Bloomberg

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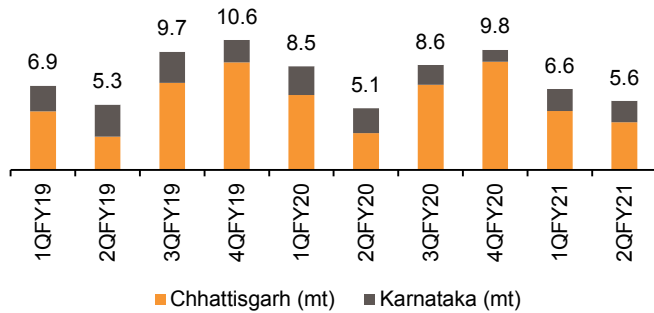
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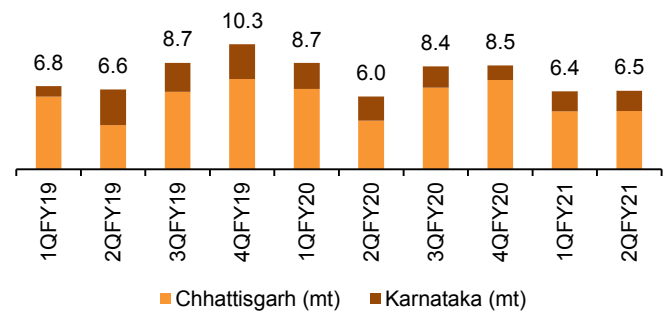
## Story in Charts

**Exhibit 1: Production falls due heavy rainfall in Odisha**



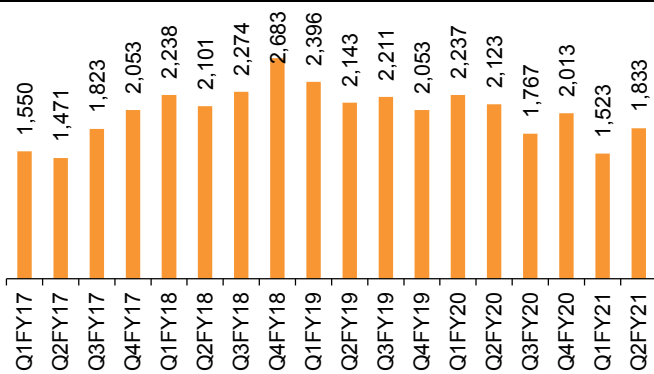
Source: Company, Emkay Research

**Exhibit 2: Sales recover slightly in Q2**



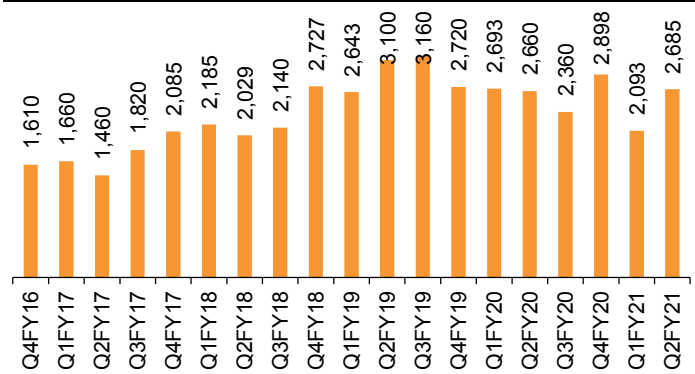
Source: Company, Emkay Research

**Exhibit 3: NMDC K'taka 60% Fines (Rs/t)**



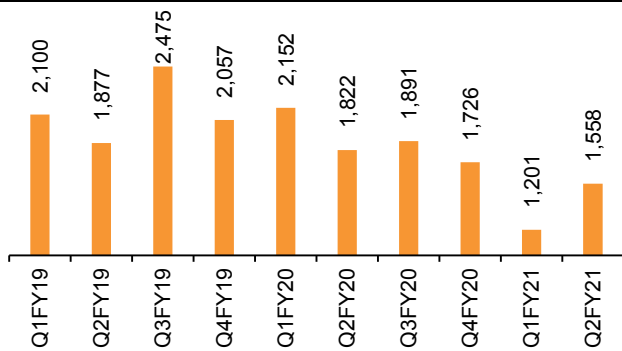
Source: Steel Mint, Emkay Research

**Exhibit 4: NMDC K'taka 64% Fines (Rs/t)**



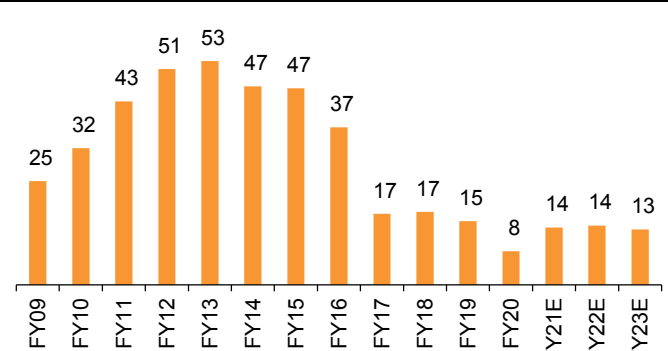
Source: Steel Mint, Emkay Research

**Exhibit 5: EBITDA/t recovered slightly as compared to previous quarter**



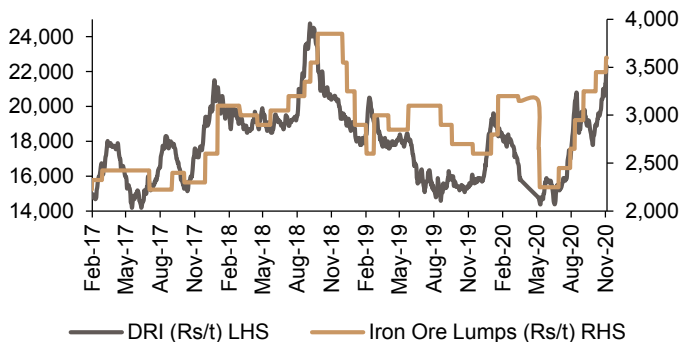
Source: Company, Emkay Research

**Exhibit 6: Cash per share at bottom in FY20 should improve**



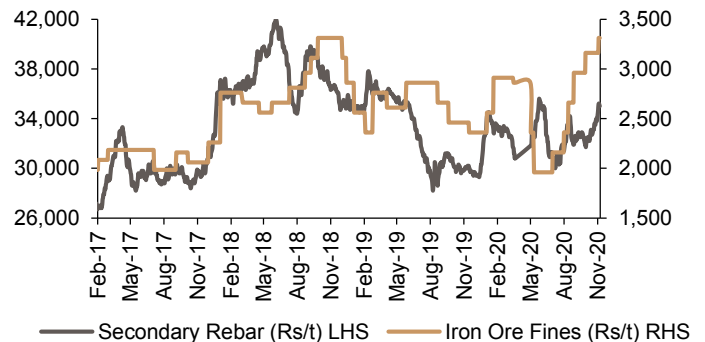
Source: Company, Emkay Research

**Exhibit 7: Rising spread b/w lumps and DRI implies hike in iron ore prices likely**



Source: Steel mint, Emkay Research

**Exhibit 8: Spread b/w secondary rebar and iron ore have risen, making a case for a hike in iron ore prices**



Source: Steel mint, Emkay Research

**Exhibit 9: Actual vs. Estimates (Q2FY21)**

Rs bn	Actual	Estimates		% Variation		Comment
		Emkay	Consensus	Emkay	Consensus	
Total Revenue	22.30	22.01	23.57	1%	-5%	In line
EBITDA	10.29	9.63	9.49	7%	8%	Higher due lower than est. royalty expenses
EBITDA Margin (%)	46.1%	43.8%	40.3%	237 bps	587 bps	
Net Profit	7.73	6.85	6.39	13%	21%	EBITDA beat leading to PAT beat

Source: Company, Bloomberg, Emkay Research

**Exhibit 10: Consolidated Quarterly Financials (Rs mn)**

	Q2FY20	Q3FY20	Q4FY20	Q1FY21	Q2FY21	abs YoY	YoY%	abs QoQ	QoQ%	H1FY21	H1FY20	% change
Production	5.01	8.58	9.47	6.61	5.64	0.63	13%	(0.97)	-15%	12.25	13.44	-9%
Sales	5.81	8.41	8.62	6.28	6.60	0.79	14%	0.33	5%	12.88	14.48	-11%
<b>Revenue</b>	<b>22,418</b>	<b>30,064</b>	<b>31,873</b>	<b>19,375</b>	<b>22,299</b>	<b>-119</b>	<b>-1%</b>	<b>2,924</b>	<b>15%</b>	<b>41,674</b>	<b>55,055</b>	<b>-24%</b>
ASP	3,858	3,575	3,698	3,088	3,378	-481	-12%	290	9%	3,236	3,802	-15%
<b>Expenditure</b>												
RM	177	59	50	52	44	-133	-75%	(9)	-17%	96	256	-63%
Inventory	500	-508	-410	-566	472	-27	-5%	1,039	NA	-94	379	NA
Stores	521	670	734	476	550	29	5%	74	15%	1,026	1,027	0%
Staff Exp.	2,457	2,593	2,906	2,546	2,678	221	9%	132	5%	5,224	4,995	5%
Royalty	3,508	5,796	5,841	4,210	3,801	293	8%	(409)	-10%	8,012	9,326	-14%
Selling Exp.	1,150	1,942	2,032	1,197	1,249	100	9%	52	4%	2,447	3,051	-20%
Other exp.	3,520	3,610	5,843	3,925	3,216	-304	-9%	(709)	-18%	7,141	6,781	5%
<b>Total Exp.</b>	<b>11,833</b>	<b>14,163</b>	<b>16,996</b>	<b>11,841</b>	<b>12,011</b>	<b>178</b>	<b>2%</b>	<b>169</b>	<b>1%</b>	<b>23,852</b>	<b>25,814</b>	<b>-8%</b>
<b>EBITDA</b>	<b>10,585</b>	<b>15,901</b>	<b>14,877</b>	<b>7,534</b>	<b>10,288</b>	<b>-296</b>	<b>-3%</b>	<b>2,755</b>	<b>37%</b>	<b>17,822</b>	<b>29,241</b>	<b>-39%</b>
EBITDA/t	1,822	1,891	1,726	1,201	1,558	-263	-14%	358	30%	1,384	2,020	-31%
Dep.	977	647	677	574	536	-441	-45%	(38)	-7%	1,110	1,626	-32%
<b>EBIT</b>	<b>9,608</b>	<b>15,254</b>	<b>14,201</b>	<b>6,960</b>	<b>9,752</b>	<b>144</b>	<b>1%</b>	<b>2,792</b>	<b>40%</b>	<b>16,712</b>	<b>27,615</b>	<b>-39%</b>
Other Inc.	1,276	1,302	1,336	718	888	-389	-30%	170	24%	1,606	2,505	-36%
Interest	97	98	-213	93	17	-80	-82%	(76)	-82%	110	215	-49%
<b>PBT before exp.</b>	<b>10,787</b>	<b>16,459</b>	<b>15,750</b>	<b>7,585</b>	<b>10,623</b>	<b>-164</b>	<b>-2%</b>	<b>3,038</b>	<b>40%</b>	<b>18,207</b>	<b>29,906</b>	<b>-39%</b>
Exceptionals	-	-	964	-	-	0		-		-	-	
<b>PBT</b>	<b>10,787</b>	<b>16,459</b>	<b>14,786</b>	<b>7,585</b>	<b>10,623</b>	<b>-164</b>	<b>-2%</b>	<b>3,038</b>	<b>40%</b>	<b>18,207</b>	<b>29,906</b>	<b>-39%</b>
Current Tax	4,100	1,203	3,361	2,304	2,782	-1,318	-32%	478	21%	5,086	10,993	-54%
Earlier Years (Net)	-	-	7,715	-	-	0		-		-	-	
Deferred Tax	-329	1,504	237	-37	110	439	NA	147	NA	73	115	-37%
Total Tax	3,771	2,707	11,312	2,267	2,892	-879	-23%	625	28%	5,159	11,108	-54%
ETR	35%	16%	24%	30%	27%	0	-22%	(0)	-9%	1	1	-22%
<b>PAT</b>	<b>7,017</b>	<b>13,752</b>	<b>3,473</b>	<b>5,318</b>	<b>7,731</b>	<b>714</b>	<b>10%</b>	<b>2,413</b>	<b>45%</b>	<b>13,049</b>	<b>18,798</b>	<b>-31%</b>
No. of shares	3062	3062	3062	3062	3062	0	0%	-	0%	3,062	3,062	
EPS	2.29	4.49	1.13	1.74	2.52	0	10%	1	45%	4.26	6.14	

Source: Company, Emkay Research

**Exhibit 11: Margins Consolidated**

	Q2FY20	Q3FY20	Q4FY20	Q1FY21	Q2FY21	YoY (bps)	QoQ (bps)	H1FY21	H1FY20	change (bps)
EBITDA	47%	53%	47%	39%	46%	-108 bps	725 bps	43%	53%	-1035 bps
EBIT	43%	51%	45%	36%	44%	87 bps	781 bps	40%	50%	-1006 bps
PBT	48%	55%	46%	39%	48%	-48 bps	849 bps	44%	54%	-1063 bps
PAT	31%	46%	11%	27%	35%	337 bps	722 bps	31%	34%	-283 bps

Source: Company, Emkay Research

## Highlights of Conference Call

- **Royalty premium:** The Government will bring an amendment to the MMDR Act, 2015, to incorporate the payment of premium on allocation mines upon second renewal. The key question will be whether the premium is payable retrospectively or prospectively. We and NMDC management believe that chances of a retrospective effect to the premium is likely to be minimal. Provisional premium on Donimalai mines is 22.5% - this is only till the Act is amended. The K'swamy mine is due for renewal in Oct-22. Till then, no premium is payable at K'swamy mines.
- **Receivables from Monitoring Committee:** NMDC receives the sales proceeds from Monitoring Committee in K'tka after the deduction of 10% toward SPV charges and 10% for R&R. NMDC has already completed the R&R required at its end and is expecting a refund of Rs23bn (Rs7.5/share) deposited with MC as R&R charges. The case for release of the amount is pending with the Supreme Court.
- **Nagarnar Steel Plant:** As per management, the process of demerger of the Nagarnar Steel plant has started. The ownership structure in the demerged steel plant will be the mirror image of NMDC. The pending capex of the NSP is Rs50bn of which will be raised as debt loaded on the balance sheet of the steel business. The steel plant is expected to be commissioned by Jul-21.
- **Domestic prices compared to landed price of import:** The landed cost of imports in the East Coast is at least 45% higher than NMDC's prices. It is further higher in the West Coast. However, the company does not resort to the policy of import parity prices.
- **Donimalai Mines:** NMDC was to start mining in the Donimalai mines by end of August 2020 but it has been delayed due to pending approvals from the state and central governments. It expects to start the mine in Q3.
- **Iron ore Mining – Odisha:** The mining in Odisha has been impacted by Covid-19 and heavy rainfall. This has been further complicated by the logistics bottleneck and port congestion.
- **Guidance:** Management will ramp up production for the H2 of FY21 and targets to achieve full-year FY21 production of at least 33mt.

**Exhibit 12: Segment Revenue (Rs mn)**

Segment Breakdown	Q2FY20	Q3FY20	Q4FY20	Q1FY21	Q2FY21	YoY%	QoQ%
<b>Segmental Revenue</b>							
Iron Ore	21,984	29,916	31,667	19,229	21,919	0%	14%
Other Minerals & Services	433	147	206	146	380	-12%	160%
Total	22,418	30,064	31,873	19,375	22,299	-1%	15%
Less : Inter segment revenue							
<b>Income from Operations</b>	<b>22,418</b>	<b>30,064</b>	<b>31,873</b>	<b>19,375</b>	<b>22,299</b>	<b>-1%</b>	<b>15%</b>
<b>Segment Results</b>							
<b>EBIT</b>							
Iron Ore	10,343	15,928	15,991	9,499	11,194	8%	18%
Other Minerals & Services	87	285	-1,445	-365	-262	-401%	-28%
Total	10,430	16,213	14,546	9,134	10,932	5%	20%
Less : Finance Cost	97	98	-213	93	17	-82%	-82%
Other Income	453	341	22	-1,462	-300	-166%	-79%
<b>Profit Before Tax</b>	<b>10,786</b>	<b>16,456</b>	<b>14,781</b>	<b>7,579</b>	<b>10,615</b>	<b>-2%</b>	<b>40%</b>
<b>Segment Assets</b>							
Iron Ore	56,118	62,787	69,457	68,455	66,506	19%	-3%
Other Minerals & Services	6,229	6,151	5,990	5,903	5,834	-6%	-1%
Unallocated	239,534	249,252	233,526	234,595	247,489	3%	5%
<b>Total</b>	<b>301,881</b>	<b>318,190</b>	<b>308,974</b>	<b>308,953</b>	<b>319,829</b>	<b>6%</b>	<b>4%</b>
<b>Segment Liabilities</b>							
Iron Ore	13,547	14,288	13,419	11,848	13,243	-2%	12%
Other Minerals & Services	370	343	369	312	316	-15%	2%
Unallocated	14,231	14,409	22,345	18,781	21,233	49%	13%
<b>Total</b>	<b>28,149</b>	<b>29,041</b>	<b>36,133</b>	<b>30,940</b>	<b>34,792</b>	<b>24%</b>	<b>12%</b>
<b>Capital Employed</b>							
Iron Ore	42,571	48,498	56,038	56,608	53,263	25%	-6%
Other Minerals & Services	5,859	5,807	5,621	5,592	5,518	-6%	-1%
Unallocated	225,303	234,843	211,182	215,813	226,257	0%	5%
<b>Total</b>	<b>273,732</b>	<b>289,149</b>	<b>272,841</b>	<b>278,013</b>	<b>285,037</b>	<b>4%</b>	<b>3%</b>

Source: Company, Emkay Research

**Exhibit 13: Changes in Estimates**

	FY21E			FY22E			FY23E		
	Original	Revised	% change	Original	Revised	% change	Original	Revised	% change
Sales Vol (mt)	33	33	0%	38	43	12%	40	46	16%
ASP	2,734	2,936	7%	2,469	2,737	11%	2,471	2,564	4%
Revenue (Rs mn)	114,988	119,388	4%	119,527	143,221	20%	125,842	145,824	16%
EBITDA (Rs mn)	57,764	60,583	5%	58,932	56,765	-4%	61,762	52,705	-15%
PAT (Rs mn)	43,039	45,366	5%	44,647	43,098	-3%	47,136	39,749	-16%
EPS (per share)	14.1	14.8	5%	14.6	14.1	-3%	15.4	13.0	-16%

Source: Company, Emkay Research

**Exhibit 14: Key Assumptions**

Key Assumptions	UoM	FY21E	FY22E	FY23E
<b>Production</b>				
C'garh	mt	24.2	26.5	30.0
K'taka	mt	9.0	16.3	16.5
Total	mt	33.2	42.7	46.5
<b>Sales</b>				
C'garh	mt	24.2	26.5	30.0
K'taka	mt	9.0	16.3	16.5
Total	mt	33.2	42.7	46.5
Blended ASP/t	Rs/t	2,936	2,737	2,564

Source: Emkay Research

**Exhibit 15: Valuation**

Valuation	UoM	Mar-22E
EBITDA	Rs mn	56,765
Multiple	(x)	5
Enterprise Value	Rs mn	283,824
Less: Net Debt	Rs mn	-42,915
Implied Market Cap	Rs mn	326,739
No of shares	mn	3,062
<b>Value-Iron Ore business</b>	<b>Rs/Share</b>	<b>107</b>
CWIP of Steel plant	Rs mn	180,000
Discount of CWIP	Rs mn	90,000
<b>Value of CWIP</b>	<b>Rs/Share</b>	<b>29</b>
<b>Total Fair Value</b>	<b>Rs/Share</b>	<b>136</b>

Source: Emkay Research

**Exhibit 16: Peer Comparison**

	MCap	PE (x)			EV/EBITDA (x)			PB (x)			ROE (x)		
	USD bn	CY20/ FY21	CY21/ FY22	CY22/ FY23	CY20/ FY21	CY21/ FY22	CY22/ FY23	CY20/ FY21	CY21/ FY22	CY22/ FY23	CY20/ FY21	CY21/ FY22	CY22/ FY23
<b>NMDC*</b>	<b>3.74</b>	<b>6.1</b>	<b>6.4</b>	<b>7.0</b>	<b>3.9</b>	<b>4.1</b>	<b>4.5</b>	<b>0.9</b>	<b>0.8</b>	<b>0.8</b>	<b>15.6</b>	<b>13.5</b>	<b>11.6</b>
Vale	61.65	6.5	4.9	6.0	3.3	2.9	3.3	1.5	1.3	1.2	23.4	26.9	20.8
Rio	104.82	9.5	10.1	12.5	5.3	5.3	6.2	2.3	2.1	2.1	24.5	22.7	18.2
BHP	125.97	14.8	13.2	14.5	6.4	5.9	6.2	2.8	2.6	2.5	18.3	20.6	17.7
Anglo	34.95	13.7	9.6	10.8	5.6	4.5	4.9	1.4	1.3	1.2	10.4	13.6	11.5
FMG	38.82	8.2	6.9	11.5	4.8	4.1	6.2	3.0	2.6	2.6	39.3	39.4	21.7

Source: Bloomberg, Emkay Research Note (\*): denotes Emkay Research

**Key Financials (Consolidated)****Income Statement**

Y/E Mar (Rs mn)	FY19	FY20	FY21E	FY22E	FY23E
<b>Revenue</b>	<b>121,527</b>	<b>116,992</b>	<b>119,388</b>	<b>143,221</b>	<b>145,824</b>
<b>Expenditure</b>	<b>52,283</b>	<b>56,973</b>	<b>58,804</b>	<b>86,456</b>	<b>93,119</b>
<b>EBITDA</b>	<b>69,244</b>	<b>60,019</b>	<b>60,583</b>	<b>56,765</b>	<b>52,705</b>
Depreciation	2,790	2,949	3,814	4,139	4,464
<b>EBIT</b>	<b>66,454</b>	<b>57,070</b>	<b>56,769</b>	<b>52,626</b>	<b>48,241</b>
Other Income	5,890	5,144	3,956	5,068	4,978
Interest expenses	403	99	100	100	100
<b>PBT</b>	<b>71,940</b>	<b>62,115</b>	<b>60,625</b>	<b>57,594</b>	<b>53,120</b>
Tax	25,565	25,127	15,259	14,496	13,370
Extraordinary Items	0	964	0	0	0
Minority Int./Income from Assoc.	0	0	0	0	0
<b>Reported Net Income</b>	<b>46,375</b>	<b>36,023</b>	<b>45,366</b>	<b>43,098</b>	<b>39,749</b>
<b>Adjusted PAT</b>	<b>46,375</b>	<b>36,988</b>	<b>45,366</b>	<b>43,098</b>	<b>39,749</b>

**Balance Sheet**

Y/E Mar (Rs mn)	FY19	FY20	FY21E	FY22E	FY23E
Equity share capital	3,062	3,062	3,062	3,062	3,062
Reserves & surplus	257,378	273,669	302,194	328,451	351,360
<b>Net worth</b>	<b>260,440</b>	<b>276,731</b>	<b>305,256</b>	<b>331,513</b>	<b>354,422</b>
<b>Minority Interest</b>	<b>139</b>	<b>81</b>	<b>81</b>	<b>81</b>	<b>81</b>
<b>Loan Funds</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Net deferred tax liability	(5,827)	(3,971)	(3,971)	(3,971)	(3,971)
<b>Total Liabilities</b>	<b>254,752</b>	<b>272,841</b>	<b>301,366</b>	<b>327,623</b>	<b>350,532</b>
<b>Net block</b>	<b>35,124</b>	<b>38,391</b>	<b>39,577</b>	<b>40,438</b>	<b>40,974</b>
<b>Investment</b>	<b>39,999</b>	<b>42,100</b>	<b>46,477</b>	<b>50,253</b>	<b>54,371</b>
<b>Current Assets</b>	<b>79,773</b>	<b>73,480</b>	<b>78,857</b>	<b>85,111</b>	<b>88,302</b>
Cash & bank balance	46,194	24,375	41,557	42,915	40,059
Other Current Assets	12,672	19,634	12,484	14,734	17,100
<b>Current liabilities &amp; Provision</b>	<b>38,333</b>	<b>36,133</b>	<b>36,547</b>	<b>39,181</b>	<b>42,117</b>
<b>Net current assets</b>	<b>41,440</b>	<b>37,347</b>	<b>42,310</b>	<b>45,929</b>	<b>46,185</b>
Misc. exp	0	0	0	0	0
<b>Total Assets</b>	<b>254,752</b>	<b>272,841</b>	<b>301,366</b>	<b>327,623</b>	<b>350,532</b>

**Cash Flow**

Y/E Mar (Rs mn)	FY19	FY20	FY21E	FY22E	FY23E
<b>PBT (Ex-Other income) (NI+Dep)</b>	<b>71,934</b>	<b>61,150</b>	<b>60,625</b>	<b>57,594</b>	<b>53,120</b>
Other Non-Cash items	0	0	0	0	0
Chg in working cap	(6,533)	(16,455)	7,843	(6,039)	(7,229)
<b>Operating Cashflow</b>	<b>40,015</b>	<b>21,260</b>	<b>57,023</b>	<b>41,198</b>	<b>36,984</b>
Capital expenditure	(20,060)	(24,035)	(23,000)	(23,000)	(23,000)
<b>Free Cash Flow</b>	<b>19,956</b>	<b>(2,775)</b>	<b>34,023</b>	<b>18,198</b>	<b>13,984</b>
Investments	(2,056)	(814)	0	0	0
Other Investing Cash Flow	9,290	17,657	0	0	0
<b>Investing Cashflow</b>	<b>(7,892)</b>	<b>(3,128)</b>	<b>(23,000)</b>	<b>(23,000)</b>	<b>(23,000)</b>
Equity Capital Raised	0	0	0	0	0
Loans Taken / (Repaid)	189	77	0	0	0
Dividend paid (incl tax)	(30,437)	(19,525)	(16,840)	(16,840)	(16,840)
Other Financing Cash Flow	(1,359)	2,014	0	0	0
<b>Financing Cashflow</b>	<b>(32,010)</b>	<b>(17,533)</b>	<b>(16,840)</b>	<b>(16,840)</b>	<b>(16,840)</b>
<b>Net chg in cash</b>	<b>113</b>	<b>599</b>	<b>17,183</b>	<b>1,358</b>	<b>(2,856)</b>
Opening cash position	54,610	46,194	24,375	41,557	42,915
<b>Closing cash position</b>	<b>46,194</b>	<b>24,375</b>	<b>41,557</b>	<b>42,915</b>	<b>40,059</b>

Source: Company, Emkay Research

**Key Ratios**

<b>Profitability (%)</b>	<b>FY19</b>	<b>FY20</b>	<b>FY21E</b>	<b>FY22E</b>	<b>FY23E</b>
EBITDA Margin	57.0	51.3	50.7	39.6	36.1
EBIT Margin	54.7	48.8	47.6	36.7	33.1
Effective Tax Rate	35.5	40.5	25.2	25.2	25.2
Net Margin	38.2	31.6	38.0	30.1	27.3
ROCE	29.2	23.6	21.2	18.3	15.7
ROE	18.4	13.8	15.6	13.5	11.6
RoIC	235.7	139.6	123.8	125.6	106.5

<b>Per Share Data (Rs)</b>	<b>FY19</b>	<b>FY20</b>	<b>FY21E</b>	<b>FY22E</b>	<b>FY23E</b>
EPS	15.1	12.1	14.8	14.1	13.0
CEPS	16.1	13.0	16.1	15.4	14.4
BVPS	85.1	90.4	99.7	108.3	115.8
DPS	5.5	5.3	5.5	5.5	5.5

<b>Valuations (x)</b>	<b>FY19</b>	<b>FY20</b>	<b>FY21E</b>	<b>FY22E</b>	<b>FY23E</b>
PER	6.0	7.5	6.1	6.4	7.0
P/CEPS	5.7	7.0	5.6	5.9	6.3
P/BV	1.1	1.0	0.9	0.8	0.8
EV / Sales	1.9	2.2	2.0	1.6	1.6
EV / EBITDA	3.3	4.2	3.9	4.1	4.5
Dividend Yield (%)	6.1	5.8	6.1	6.1	6.1

<b>Gearing Ratio (x)</b>	<b>FY19</b>	<b>FY20</b>	<b>FY21E</b>	<b>FY22E</b>	<b>FY23E</b>
Net Debt/ Equity	(0.2)	(0.1)	(0.1)	(0.1)	(0.1)
Net Debt/EBIDTA	(0.7)	(0.4)	(0.7)	(0.8)	(0.8)
Working Cap Cycle (days)	(14.3)	40.5	2.3	7.7	15.3

<b>Growth (%)</b>	<b>FY19</b>	<b>FY20</b>	<b>FY21E</b>	<b>FY22E</b>	<b>FY23E</b>
Revenue	4.6	(3.7)	2.0	20.0	1.8
EBITDA	19.3	(13.3)	0.9	(6.3)	(7.2)
EBIT	19.8	(14.1)	(0.5)	(7.3)	(8.3)
PAT	21.9	(22.3)	25.9	(5.0)	(7.8)

<b>Quarterly (Rs mn)</b>	<b>Q2FY20</b>	<b>Q3FY20</b>	<b>Q4FY20</b>	<b>Q1FY21</b>	<b>Q2FY21</b>
Revenue	22,418	30,064	31,873	19,375	22,299
EBITDA	10,585	15,901	14,877	7,534	10,288
<b>EBITDA Margin (%)</b>	<b>47.2</b>	<b>52.9</b>	<b>46.7</b>	<b>38.9</b>	<b>46.1</b>
PAT	7,017	13,752	11,188	5,318	7,731
<b>EPS (Rs)</b>	<b>2.2</b>	<b>4.3</b>	<b>3.7</b>	<b>1.7</b>	<b>2.5</b>

Source: Company, Emkay Research

<b>Shareholding Pattern (%)</b>	<b>Dec-19</b>	<b>Feb-20</b>	<b>Mar-20</b>	<b>Jun-20</b>	<b>Sep-20</b>
Promoters	72.3	69.7	69.7	69.7	69.7
FIs	6.0	5.8	6.0	5.4	4.5
DIs	17.6	20.7	20.0	20.3	20.4
Public and Others	4.1	3.9	4.4	4.7	5.5

Source: Capitaline

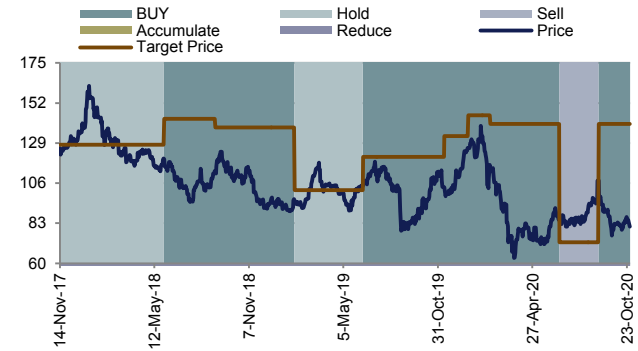


## RECOMMENDATION HISTORY TABLE

Date	Closing Price	TP	Period (months)	Rating	Analyst
10-Oct-20	82	140	12m	Buy	Vishal Chandak
30-Aug-20	108	140	12m	Buy	Vishal Chandak
2-Jul-20	82	72	12m	Sell	Vishal Chandak
17-Jun-20	86	72	12m	Sell	Vishal Chandak
11-Jun-20	87	140	12m	Buy	Vishal Chandak
7-Feb-20	114	140	12m	Buy	Vishal Chandak
27-Dec-19	126	145	12m	Buy	Vishal Chandak
9-Dec-19	109	133	12m	Buy	Vishal Chandak
12-Nov-19	104	133	12m	Buy	Vishal Chandak
1-Oct-19	96	121	12m	Buy	Vishal Chandak
20-Aug-19	90	121	12m	Buy	Vishal Chandak
14-Aug-19	105	121	12m	Buy	Vishal Chandak
19-Jun-19	108	121	12m	Buy	Vishal Chandak
11-Jun-19	107	121	12m	Buy	Vishal Chandak
1-Feb-19	95	102	12m	Hold	Vishal Chandak
4-Sep-18	113	138	12m	Buy	Goutam Chakraborty
30-May-18	120	143	12m	Buy	Goutam Chakraborty
14-Nov-17	126	128	12m	Hold	Goutam Chakraborty

Source: Company, Emkay Research

## RECOMMENDATION HISTORY CHART



Source: Bloomberg, Company, Emkay Research

## Emkay Alpha Portfolio – Metals & Mining



### Analyst: Vishal Chandak

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#### Sector

Metals and Mining

#### Analyst bio

Vishal Chandak is a CA and MBA (Finance). He brings in over 16 years of experience, including seven years in the corporate side, with balance being on both the buy side and sell side. Currently, his team tracks 12 stocks in the Metals and Mining space.

### EAP sector portfolio

Company Name	BSE200 Weight	EAP Weight	OW/UW (%)	OW/UW (bps)	EAP Weight (Normalised)
<b>Metals &amp; Mining</b>	<b>2.30</b>	<b>2.30</b>	<b>0%</b>	<b>0</b>	<b>100.00</b>
Coal India	0.38	0.39	3%	1	16.97
Hindalco	0.41	0.43	5%	2	18.52
Hindustan Zinc	0.08	0.08	0%	0	3.47
Jindal Stainless	0.00	0.02	NA	2	0.89
Jindal Stainless Hisar	0.00	0.02	NA	2	1.04
JSW Steel	0.48	0.43	-10%	-5	18.78
MOIL	0.00	0.00	NA	0	0.00
National Aluminium Co	0.04	0.00	-100%	-4	0.00
NMDC	0.12	0.13	3%	0	5.57
SAIL	0.06	0.06	1%	0	2.49
Tata Steel	0.47	0.47	1%	1	20.55
Vedanta	0.26	0.27	3%	1	11.70
<b>Cash</b>	<b>0.00</b>	<b>0.00</b>	<b>NA</b>	<b>0</b>	<b>0.04</b>

Source: Emkay Research

\* Not under coverage: Equal Weight

High Conviction/Strong Over Weight High Conviction/Strong Under Weight

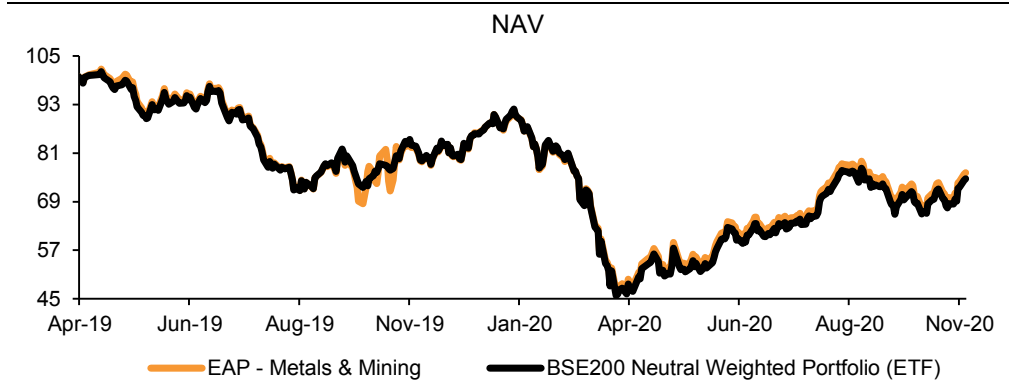
### Sector portfolio NAV

	Base					Latest
	1-Apr-19	11-Feb-20	12-May-20	11-Aug-20	9-Oct-20	10-Nov-20
EAP - Metals & Mining	100.0	82.1	54.8	73.6	70.3	76.1
BSE200 Neutral Weighted Portfolio (ETF)	100.0	82.2	53.2	72.0	68.6	74.6

\*Performance measurement base date 1<sup>st</sup> April 2019

Source: Emkay Research

### NAV chart



Source: Emkay Research

Please see our model portfolio (Emkay Alpha Portfolio): [Nifty](#)

Please see our model portfolio (Emkay Alpha Portfolio): [SMID](#)

“Emkay Alpha Portfolio – SMID and Nifty are a supporting document to the Emkay Alpha Portfolios Report and is updated on regular intervals”

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Ratings	Expected Return within the next 12-18 months.
<b>BUY</b>	Over 15%
<b>HOLD</b>	Between -5% to 15%
<b>SELL</b>	Below -5%

Completed Date: 12 Nov 2020 09:48:15 (SGT)

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