

December 3, 2020

Company Update

Change in Estimates | Target | Reco

Change in Estimates

	Current		Previous	
	FY22E	FY23E	FY22E	FY23E
Rating	BUY		ACCUMULATE	
Target Price	125		98	
Sales (Rs. m)	1,60,237	1,56,288	1,25,305	1,32,756
% Chng.	27.9	17.7		
EBITDA (Rs. m)	67,702	60,589	45,882	45,965
% Chng.	47.6	31.8		
EPS (Rs.)	16.6	14.9	11.1	10.9
% Chng.	50.2	36.8		

Key Financials - Standalone

Y/e Mar	FY20	FY21E	FY22E	FY23E
Sales (Rs. m)	1,16,992	1,24,759	1,60,237	1,56,288
EBITDA (Rs. m)	60,104	61,001	67,702	60,589
Margin (%)	51.4	48.9	42.3	38.8
PAT (Rs. m)	36,109	44,468	48,748	43,602
EPS (Rs.)	11.8	15.2	16.6	14.9
Gr. (%)	(22.2)	28.7	9.6	(10.6)
DPS (Rs.)	5.3	5.5	5.0	5.0
Yield (%)	5.1	5.3	4.8	4.8
RoE (%)	13.5	15.8	16.0	13.0
RoCE (%)	21.0	20.1	20.8	16.7
EV/Sales (x)	2.5	2.3	1.8	1.8
EV/EBITDA (x)	4.9	4.7	4.3	4.7
PE (x)	8.8	6.8	6.2	6.9
P/BV (x)	1.1	1.1	0.9	0.9

Key Data

NMDC.BO | NMDC IN

52-W High / Low	Rs.140 / Rs.62
Sensex / Nifty	44,618 / 13,114
Market Cap	Rs.316bn/ \$ 4,281m
Shares Outstanding	3,062m
3M Avg. Daily Value	Rs.1533.56m

Shareholding Pattern (%)

Promoter's	69.65
Foreign	4.45
Domestic Institution	20.44
Public & Others	5.46
Promoter Pledge (Rs bn)	-

Stock Performance (%)

	1M	6M	12M
Absolute	22.6	20.9	(2.2)
Relative	9.3	(8.3)	(10.5)

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Strong price outlook drives rating upgrade

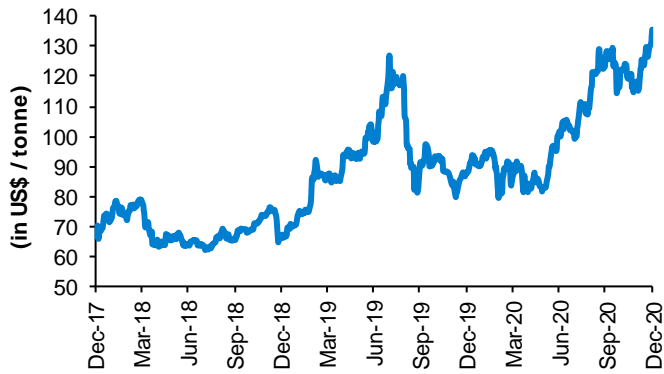
Quick Pointers:

- Strong price outlook to negate premium imposed on renewal of mines.
- Expected to further hike prices by 12%/Rs500/t in December.

NMDC underperformed steel stocks by a wide margin over last three months due to uncertainty regarding payment of premium for its Donimalai mine's lease renewal. After two years impasse, Govt of Karnataka renewed Donimalai mines (with capacity of 7mtpa) at a premium of 22.5% of sales price. We expect that similar premium would be paid for its iron ore operations in Chhattisgarh, which constitutes 78% of its overall volumes. Severe shortage in domestic market (due to supply disruptions in Odisha), strong profitability of steel producers and firm outlook on global prices shall help NMDC to mitigate higher costs with stronger product prices. In light of strong price outlook and attractive valuations, we upgrade NMDC to BUY with TP of Rs125 (earlier Rs98) based on 1) EV/EBITDA of 3.7x FY22e for iron ore operations (factoring 22.5% premium on entire operations) and 2) EV/T of US\$475 for 3mtpa steel plant.

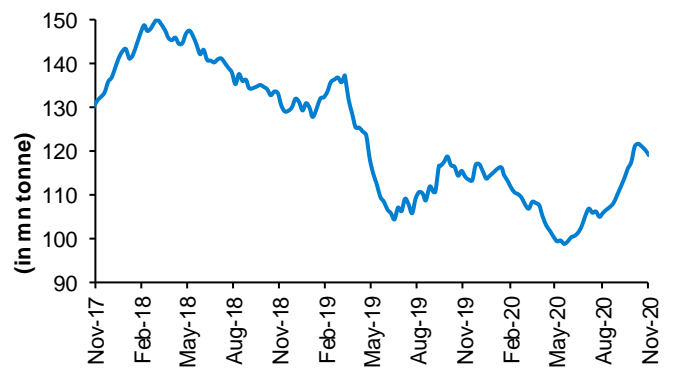
- Dispatches in Odisha to remain under pressure:** Impacted by logistic bottlenecks and delay in restart of mines, Odisha's iron ore dispatches (~60% of India's total iron ore production) fell 14% YoY at 10.7mnt in October. We expect supplies from Odisha to remain under pressure due to surrender of mines by couple of miners, strong demand in exports and exhaustion of old inventory. Given the exorbitant premiums at mines won by merchant miners in Odisha, iron ore prices would remain elevated in medium term.
- Discount of NMDC's prices to shrink to lows:** NMDC's iron ore prices are at a discount of 42%/32% to global prices on East/West coast of India against the historical average of 35%/25%. Given the shortage and strong profitability of steel companies, we see strong case for second round of hike of Rs500/t in December. This would further narrow down the discount to global prices by 500bps at par with historical averages.
- Better placed to compete captive miners:** Merchant mining business in India is going to face significant headwinds due to auction of mines as steel producers have clear competitive edge on pricing. However, we believe that NMDC would be better off as compared to other merchant miners in India due to its strong logistics network (dedicated railway line/slurry pipeline), superior ore grade and dedicated customers base (Arcelor/RINL/Exports MoU). Offtake to JSTL's Dolvi plant could be at risk due to acquisition of captive mines by JSTL in Odisha. However, we believe that JSTL would continue to procure NMDC ore due to its premium quality (with low alumina content) for blending with lower grade Odisha ore and meet DRI grade Lump requirement.
- Initial hiccups expected in Chhattisgarh operations:** Govt of Chhattisgarh would most likely use pressure tactics to secure renewal premium at par with Donimalia mines. We believe that Govt of India would eventually accept the demands given the dependence of steel companies and acute shortage.

Exhibit 1: 62% Fe Iron ore prices at 6-year high



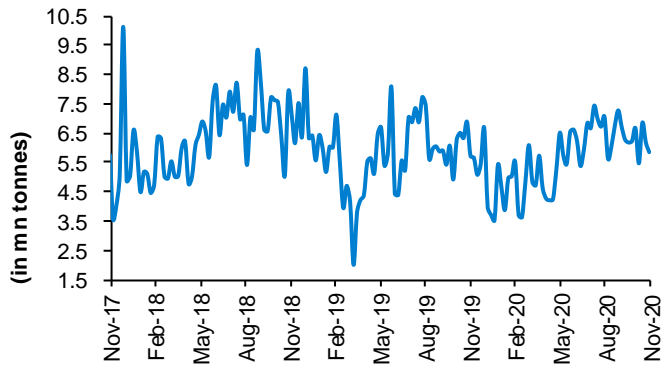
Source: Bloomberg, PL

Exhibit 2: Iron ore inventory at Chinese ports remained low



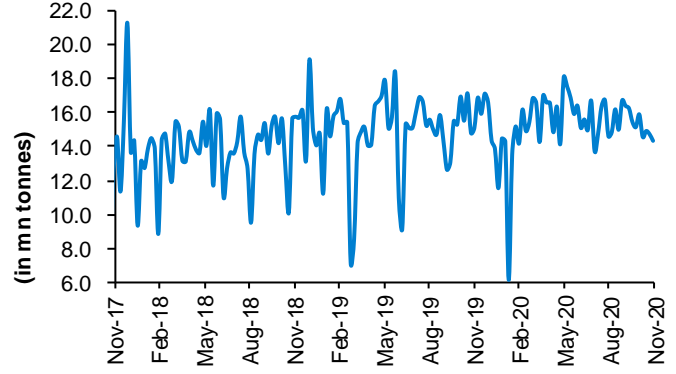
Source: Bloomberg, PL

Exhibit 3: Brazil weekly iron ore exports remained in range



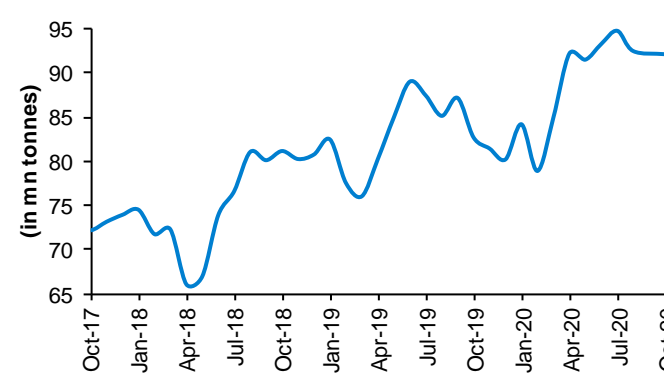
Source: Bloomberg, PL

Exhibit 4: Australia weekly iron ore exports near full capacity



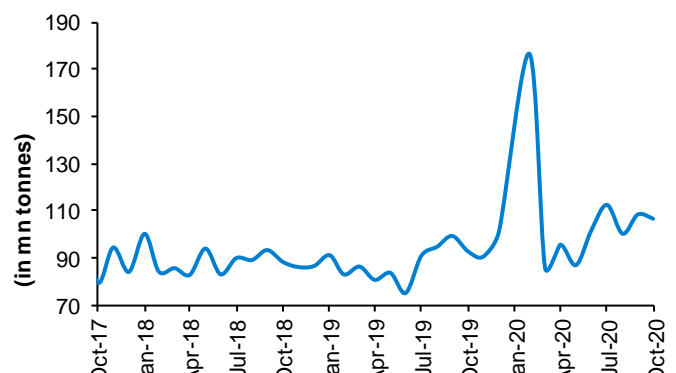
Source: Bloomberg, PL

Exhibit 5: Chinese steel production at record high

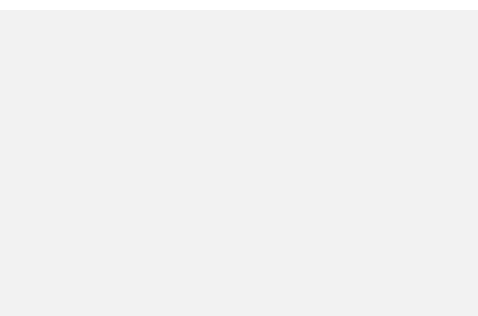


Source: NBS-China, PL

Exhibit 6: Chinese iron ore imports on strong growth path

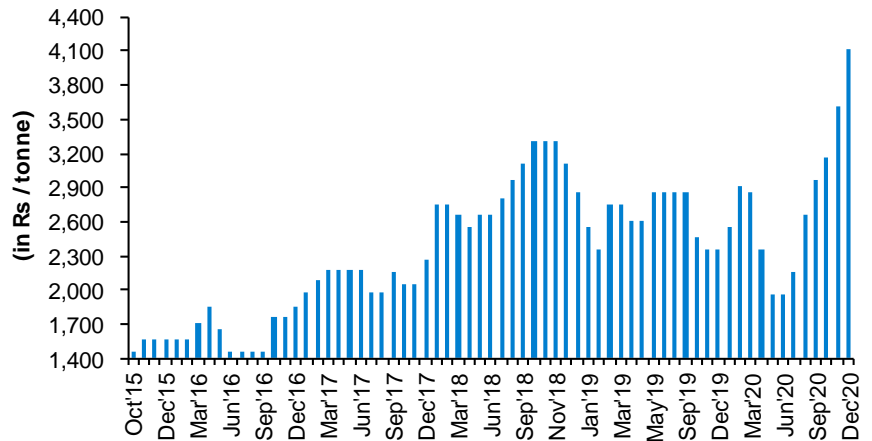


Source: Bloomberg, PL



NMDC increased prices by ~110% in last six months. Prices are still at discount of ~32% on import parity price. This leaves ample scope for further hike of Rs500/t.

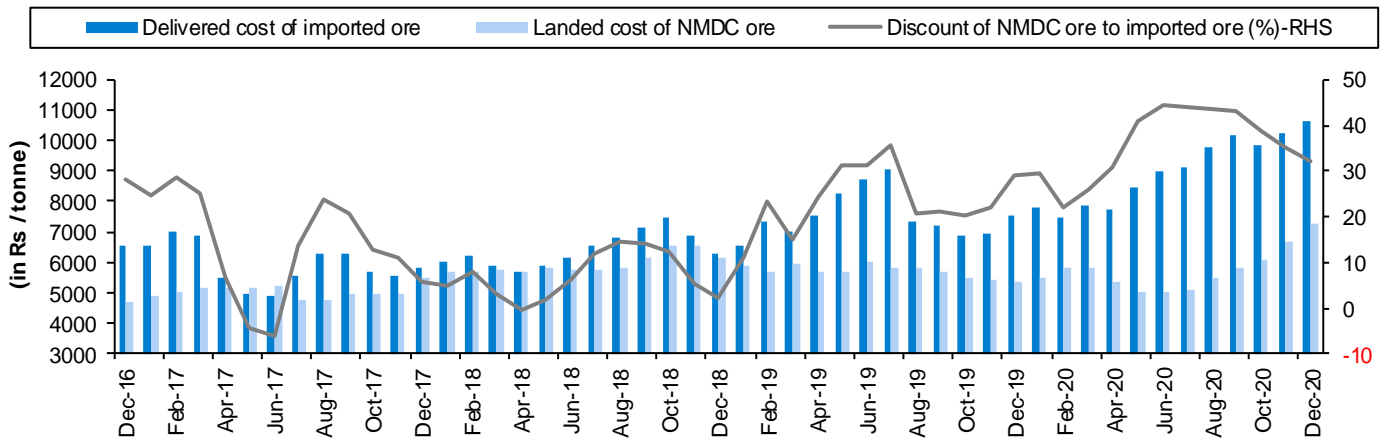
Exhibit 7: Discount to import parity price leaves ample scope for further hike



Source: Company, PL

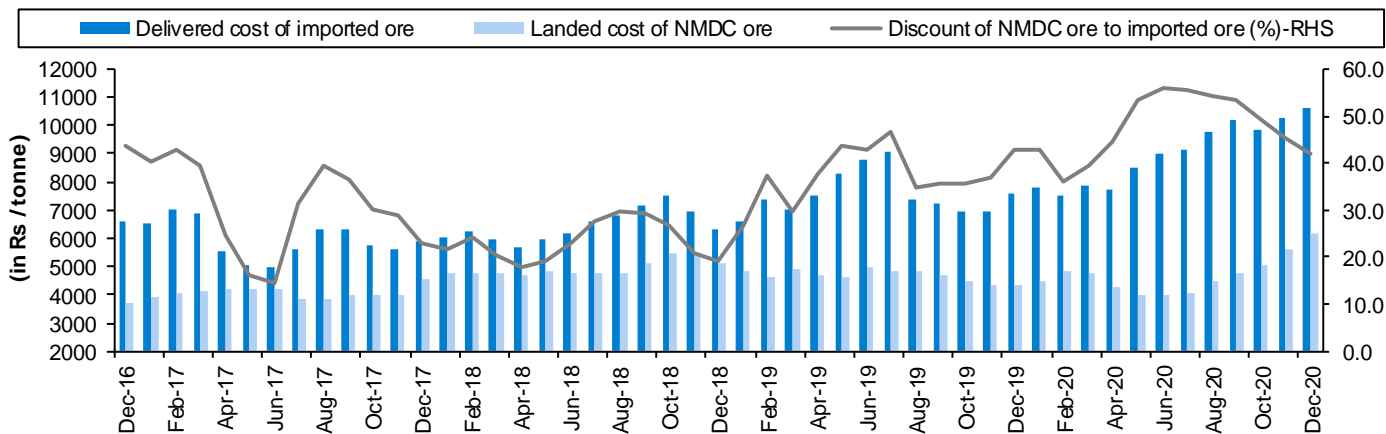
NMDC's iron ore prices are at a discount of 42%/32% to global prices on East/West coasts v/s historical average of 35%/25%. Given the strong profitability of steel companies, we see strong case for second round of hike of Rs500/t in December.

Exhibit 8: NMDC's ore prices at a discount of 32% to imported ore on West coast, 500-700bs higher over historical average



Source: Company, PL

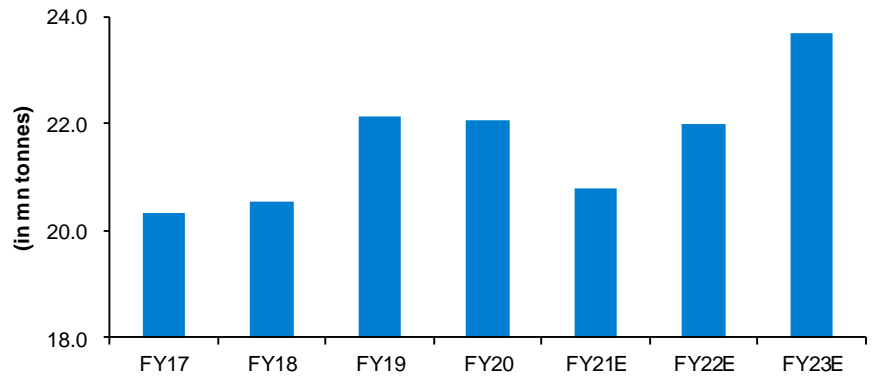
Exhibit 9: Discount of NMDC's ore prices to imported ore on East coast at 500-700bs higher over historical average



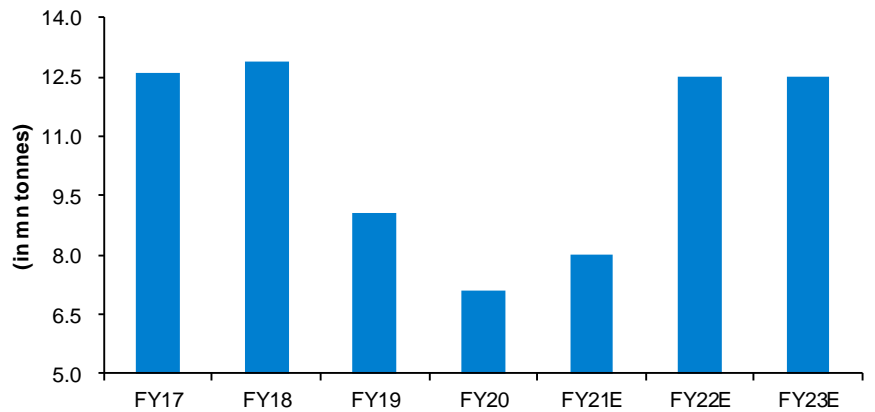
Source: Company, PL

Limited decline in FY21e volumes due to stable demand led by strong steel exports.

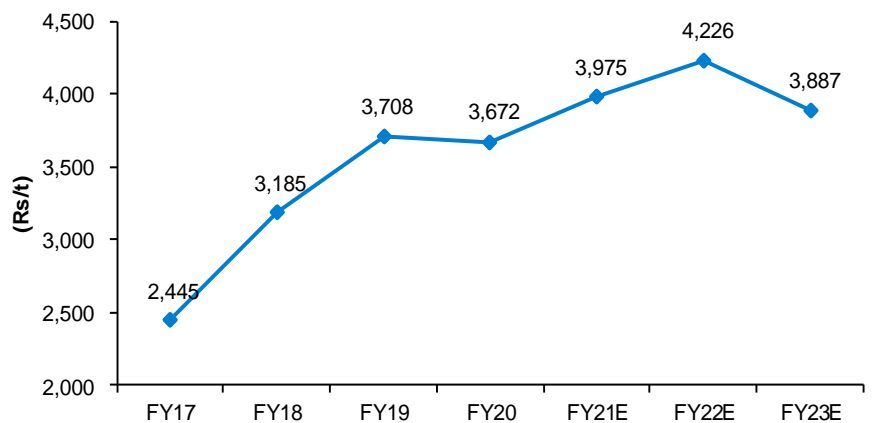
We expect volumes in Karnataka to increase to 12.5mnt in FY23e due to restart of Donimalai mines.

Exhibit 10: NMDC's Chhattisgarh operation's domestic vols


Source: Company, PL

Exhibit 11: NMDC's iron ore volumes in Karnataka


Source: Company, PL

Exhibit 12: Realisations rise in FY21/FY22 on the back of strong global prices


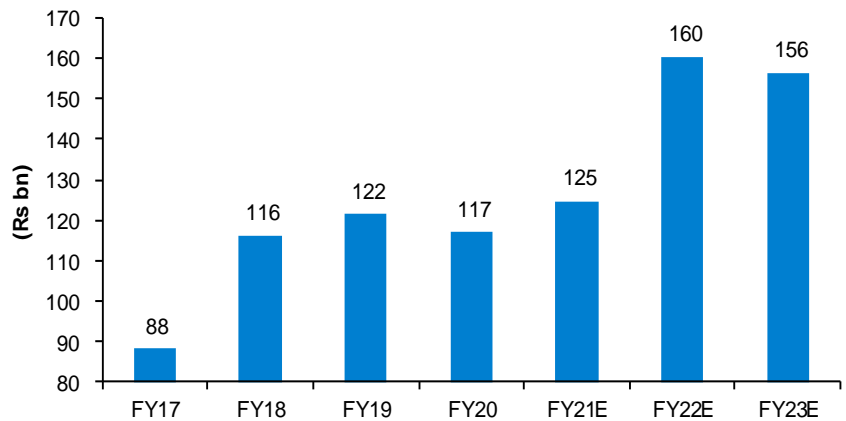
Source: Company, PL

Additional 5mnt of volumes from Donimalai mines and 6% rise in realisations to drive 28% growth in revenues for FY22e

EBITDA to grow 12% YoY in FY22e in spite of additional cost of 22.5% premium assumed for Donimalai and Chhattisgarh operations

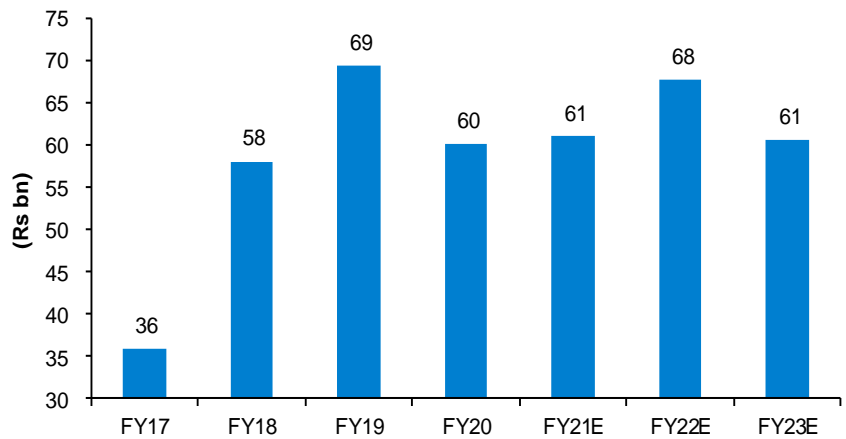
Royalty (including premium) would double in FY22e as we have assumed similar premium payment on Chhattisgarh operations to state govt.

Exhibit 13: Higher realisations and restart of Donimalia mine to drive revenue



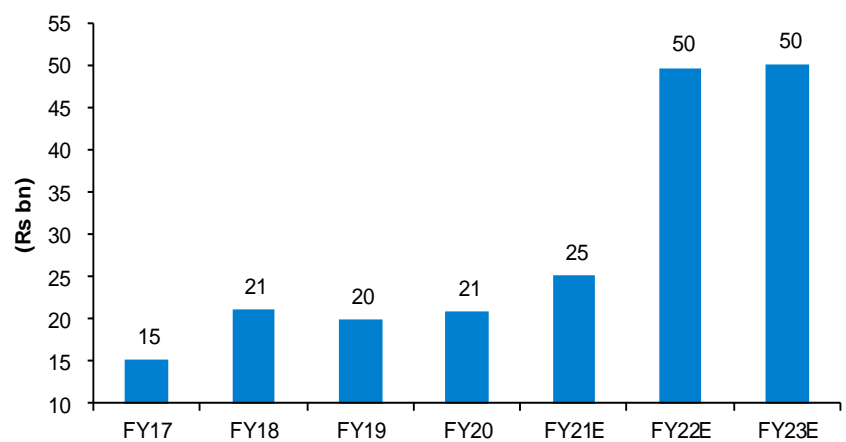
Source: Company, PL

Exhibit 14: EBITDA in FY22e to rise to near peak of FY19



Source: Company, PL

Exhibit 15: Royalty would increase by 98% YoY in FY22e due to premium



Source: Company, PL

Exhibit 16: Odisha's iron ore production fell 11% YoY in October due to delay in restart and surrender of auctioned mines

Miner name	Location	Oct-20	Oct-19	YoY gr. (%)	Sep-20	Apr'20-Oct'20	Apr'19-Oct'19	YoY gr. (%)	Remarks
Tarini Minerals (P) Ltd.	Deojarh	3,200	470	580.9	1,440	13,100	1,470	791.2	Operational
A.M.T.C. (P) Ltd	Narayanposhi	-	5,54,480	NA	-	-	25,92,856	NA	Won by JSW Steel (part of captive mines)
Bonai industrial co. ltd	Teherai	-	-	NA	-	-	21,279	NA	Mine surrendered by the successful bidder
Bonai industrial co. ltd	Nadidih	-	4,54,535	NA	-	-	15,35,167	NA	Mine surrendered by the successful bidder
Feegrade and co pvt. Ltd	Rengalibeda , Nadikasira	-	3,02,231	NA	-	-	19,34,840	NA	In process of restart
K.J.S. Ahluwalia	Nuagaon	-	5,74,000	NA	-	-	38,76,000	NA	Won by JSW Steel (part of captive mines)
K.N. Ram and Co.	Roida-II	17,478	3,01,728	(94.2)	-	17,478	20,27,683	(99.1)	Restarted by new lessee in the month
Kalinga Mining Corpn.	Jurudi	-	7,460	NA	-	-	11,00,350	NA	In process of restart
Kaypee Enterprises	Thakurani	-	4,26,649	NA	-	-	31,78,545	NA	Won by ArcelorMittal (part of captive mines)
Essel Mining and Industries Ltd.	Jilling Langalo	-	5,23,444	NA	-	-	38,54,062	NA	In process of restart
Sarda Mines (P) Ltd.	Thakurani, Block B	5,80,730	-	NA	12,76,261	45,82,233	-	NA	Restarted in Feb'20 after Supreme Court's order
M.G. Mohanty	Patabeda	1,000	2,306	(56.6)	10,790	16,000	15,876	0.8	Operational
M.G. Mohanty	Patabeda-19.425 HA	17,837	7,840	127.5	13,812	1,02,870	88,788	15.9	Operational
Korp Resources (P) Ltd.	Tantra	15,000	-	NA	12,000	65,000	8,000	712.5	Operational
MGM Minerals Ltd.	Patabeda	1,08,900	70,000	55.6	1,40,500	6,82,900	6,01,000	13.6	Operational
National Enterprises	Raikela	47,060	27,240	72.8	58,500	2,73,460	1,77,231	54.3	Operational
Penguin Trading and Agencies Ltd.	Raikela	87,200	38,600	125.9	86,000	7,12,300	5,34,200	33.3	Operational
Prabodh Mohanty	Nuagaon	500	-	NA	500	3,000	500	500.0	Operational
Rungta Sons (P) Ltd.	Sanindpur	5,10,669	4,79,858	6.4	4,23,149	26,78,635	26,41,178	1.4	Operational
Rungta Sons (P) Ltd.	Oraghat	3,67,880	3,06,086	20.2	1,31,228	18,76,975	24,70,320	(24.0)	Operational
S.N. Mohanty	KJST-Jaldih	1,40,552	1,10,004	27.8	81,043	13,22,936	8,78,688	50.6	Operational
Lal Traders and Agencies (P) Ltd.	Badampahar	-	1,11,130	NA	-	2,01,240	8,83,570	(77.2)	Restarted by new lessee
K.C. Pradhan (Chamakpur Iron Mines)	Chamakpur	-	326	NA	166	2,665	8,481	(68.6)	Operational
Indrani Patnaik	Unchabali	1,62,570	2,55,920	(36.5)	1,03,110	7,54,650	22,27,646	(66.1)	Operational
Rungta Mines Ltd.	Jajang	-	7,07,269	NA	-	-	50,08,176	NA	Won by JSW Steel (part of captive mines)
M/s Serajuddin and co.	Balda Block	1,66,005	9,80,646	(83.1)	-	1,66,005	83,69,027	(98.0)	Restarted by new lessee in the month
O.M.C. Ltd.	Kurmitar Pahar	2,09,444	63,946	227.5	1,29,218	11,77,314	8,95,104	31.5	Operational
O.M.C. Ltd.	Gandhamardan -B	6,12,000	4,24,500	44.2	4,36,500	25,14,400	32,05,800	(21.6)	Operational
O.M.C. Ltd.	Daitari	3,62,000	3,30,271	9.6	2,54,000	18,43,000	18,94,382	(2.7)	Operational
O.M.C. Ltd.	Roida-C	26,310	16,650	58.0	25,260	1,44,190	2,01,490	(28.4)	Operational
Essel Mining and Industries Ltd.	Nuagaon, Kadodiha	5,22,955	4,60,275	13.6	3,70,385	21,80,326	27,91,654	(21.9)	Operational
Ghanashyam Misra and sons (P) ltd	Gorumahisani	4,967	19,539	(74.6)	-	4,967	2,51,296	(98.0)	Operational
Tarini Prasad Mohanty	Naibega Katupali	26,210	10,920	140.0	37,050	1,61,540	1,17,770	37.2	Operational
R.P. Sao	Guali	-	3,49,975	NA	-	-	48,19,084	NA	Likely to be re-auctioned
Sree Metaliks Ltd.	Khandbandh	73,877	66,690	10.8	50,110	3,82,924	2,08,440	83.7	Operational
P.K. Ahluwalia	Gonua	-	51,200	NA	-	-	2,10,000	NA	Won by JSW Steel (part of captive mines)
J.N. Patnaik	Bhanjapali	12,000	7,400	62.2	9,500	1,41,040	70,500	100.1	Operational
K.C. Pradhan	Nayagarh	13,100	10,650	23.0	18,100	73,680	30,050	145.2	Operational
GeetaRani Mohanty	Raikela	77,000	72,000	6.9	64,000	4,84,000	2,07,700	133.0	Operational
Prakash Industries Ltd.	Sirkagutu (Upar Kadakala)	50,420	-	NA	41,740	1,38,580	-	NA	Operational
O.M.C. Ltd.	Gandhamardan -A	17,300	16,500	4.8	19,700	84,700	69,300	22.2	Operational
D.R. Patnaik	Murgabeda	97,020	-	NA	74,060	3,76,890	-	NA	Operational
National Enterprises	Adaghat	46,100	-	NA	14,915	1,83,538	-	NA	Operational

Miner name	Location	Oct-20	Oct-19	YoY gr. (%)	Sep-20	Apr'20- Oct'20	Apr'19- Oct'19	YoY gr. (%)	Remarks
Kashvi International Pvt Ltd	Jaribahal	1,17,050	-	NA	34,830	2,01,730	-	NA	Restarted by new lessee in the month
GM iron and steel company ltd	Badampahar	30,400	-	NA	-	30,400	-	NA	Restarted by new lessee in the month
Total		45,24,734	82,46,011	(45.1)	39,21,417	2,35,98,216	5,96,45,823	(60.4)	
Captive miner									
SAIL	Barsuan	2,17,838	1,44,171	51.1	2,40,011	11,25,128	8,98,606	25.2	Operational
SAIL	Kalta	2,25,800	1,11,400	102.7	1,83,600	15,36,700	7,15,000	114.9	Operational
SAIL	Bolani	5,50,136	4,37,635	25.7	5,49,432	31,58,262	34,59,543	(8.7)	Operational
SAIL	Taldih	69,713	91,285	(23.6)	1,05,404	5,63,308	4,36,351	29.1	Operational
TATA Steel Ltd.	Khandbandh	3,37,732	2,49,156	35.6	2,96,828	23,28,483	18,46,465	26.1	Operational
TATA Steel Ltd.	Katamati	3,15,434	4,35,185	(27.5)	3,48,397	25,20,423	28,42,621	(11.3)	Operational
TATA Steel Ltd.	Joda East	10,61,703	9,46,963	12.1	9,37,127	75,84,114	54,70,986	38.6	Operational
Jindal Steel and Power Ltd	Tantra	2,23,500	1,98,690	12.5	1,17,285	9,20,845	14,93,043	(38.3)	Operational
Arcelor Mittal Thakurani	Thakurani	2,52,300	-	NA	1,70,370	8,82,245	-	NA	Operational
JSW Steel Ltd	Gonua	1,23,771	-	NA	75,710	2,80,554	-	NA	Operational
JSW Steel Ltd	Jajang	6,34,369	-	NA	3,46,269	16,26,533	-	NA	Operational
JSW Steel Ltd	Narayanposhi	6,14,314	-	NA	4,01,132	16,09,775	-	NA	Operational
JSW Steel Ltd	Nuagaon	5,61,395	-	NA	3,73,175	17,56,586	-	NA	Operational
Total		51,88,006	26,14,485	98.4	41,44,740	2,58,92,956	1,71,62,615	50.9	
Grand Total		97,12,739	1,08,60,496	(10.6)	80,66,156	4,94,91,172	7,68,08,438	(35.6)	

Source: Govt. of Odisha, PL

Exhibit 17: Odisha's iron ore dispatches fell 14% YoY leading to iron ore shortage in the market

Miner name	Location	Oct-20	Oct-19	YoY gr. (%)	Sep-20	Apr'20-Oct'20	Apr'19-Oct'19	YoY gr. (%)
Tarini Minerals (P) Ltd.	Deojhar	60,849	-	NA	67,752	2,73,248	-	NA
R.P. Sao	Guali	-	4,48,391	NA	-	-	42,74,756	NA
A.M.T.C. (P) Ltd	Narayanposhi	-	4,76,667	NA	-	-	24,74,146	NA
Bonai industrial co. ltd	Teherai	11,700	45,220	(74.1)	19,450	67,952	1,63,453	(58.4)
Bonai industrial co. ltd	Nadidih	1,24,741	3,92,822	(68.2)	2,00,470	10,52,586	24,26,391	(56.6)
Feegrade and co pvt. Ltd	Rengalibeda , Nadikasira	53,573	3,32,539	(83.9)	1,51,331	10,22,672	24,14,569	(57.6)
K.J.S. Ahluwalia	Nuagaon	-	6,53,316	NA	-	-	35,98,858	NA
K.N. Ram and Co.	Roida-II	-	3,25,793	NA	-	-	17,74,923	NA
Kaypee Enterprises	Thakurani	-	4,83,510	NA	-	-	34,44,385	NA
Tarini Prasad Mohanty	Naibega Katupali	26,948	28,551	(5.6)	32,211	2,98,446	4,06,106	(26.5)
Essel Mining and Industries Ltd.	Jilling Langalo	-	6,23,589	NA	2,64,845	11,30,281	40,62,859	(72.2)
Kalinga Mining Corpn.	Jurudi	-	1,09,610	NA	-	-	7,00,014	NA
M.G. Mohanty	Patabeda	5,616	950	490.9	7,554	64,291	29,082	121.1
M.G. Mohanty	Patabeda-19.425 HA	6,208	11,797	(47.4)	8,387	1,05,913	1,53,657	(31.1)
Korp Resources (P) Ltd.	Tantra	15,193	1,615	841.0	19,637	1,02,362	48,688	110.2
MGM Minerals Ltd.	Patabeda	89,056	78,149	14.0	1,31,420	7,53,732	6,10,952	23.4
National Enterprises	Raikela	40,843	59,393	(31.2)	55,428	3,49,728	3,77,060	(7.2)
Penguin Trading and Agencies Ltd.	Raikela	1,01,355	58,984	71.8	1,12,785	7,24,164	5,96,343	21.4
Prabodh Mohanty	Nuagaon	-	-	NA	-	-	1,511	NA
Rungta Sons (P) Ltd.	Sanindpur	6,91,226	3,77,409	83.2	3,16,109	22,98,727	20,06,215	14.6
Rungta Sons (P) Ltd.	Oraghat	6,19,600	3,51,701	76.2	3,42,513	23,10,388	20,72,435	11.5
S.N. Mohanty	KJST-Jaldihi	3,68,712	90,157	309.0	3,46,617	18,01,021	11,24,575	60.2
Lal Traders and Agencies (P) Ltd.	Badampahar	1,16,576	49,521	135.4	1,02,364	5,77,237	6,51,301	(11.4)
K.C. Pradhan (Chamakpur Iron Mines)	Chamakpur	14,289	-	NA	7,813	34,442	8,674	297.1
Indrani Patnaik	Unchabali	2,34,910	2,44,693	(4.0)	2,04,769	13,75,938	20,84,228	(34.0)
Rungta Mines Ltd.	Jajang	2,67,403	16,22,992	(83.5)	3,14,783	44,72,753	85,18,929	(47.5)
Serajuddin and Co	Balda Block	-	14,37,691	NA	-	-	85,67,582	NA
O.M.C. Ltd.	Kurmitar Pahar	1,82,641	1,41,161	29.4	59,456	11,83,786	17,29,500	(31.6)
O.M.C. Ltd.	Gandhamardan -B	5,73,909	4,02,783	42.5	5,35,536	28,80,414	31,45,094	(8.4)
O.M.C. Ltd.	Daitari	3,54,269	3,30,271	7.3	2,52,750	17,02,262	18,94,482	(10.1)
O.M.C. Ltd.	Roida-C	46,736	26,274	77.9	19,372	1,62,779	1,57,285	3.5
Essel Mining and Industries Ltd.	Nuagaon, Kadodiha	6,76,180	4,05,036	66.9	4,20,506	24,33,061	26,73,142	(9.0)
Ghanashyam Misra and sons (P) ltd	Gorumahisani	1,74,030	35,745	386.9	1,23,456	4,41,020	4,31,999	2.1
Sree Metaliks Ltd.	KHANDBANDH	66,672	57,648	15.7	52,020	3,98,696	2,98,349	33.6
Patnaik Minerals Pvt. Ltd	Jaribahal	-	89,104	NA	-	-	7,94,256	NA
P.K. Ahluwalia	Gonua	-	59,812	NA	-	-	2,65,989	NA
J.N. Patnaik	Bhanjapali	23,577	3,621	551.2	24,530	2,18,563	48,375	351.8
K.C. Pradhan	Nayagarh	9,614	4,748	102.5	19,821	1,04,023	33,422	211.2
Essel Mining and Industries Ltd.	Kasia	66,048	3,769	NA	58,503	10,41,539	3,769	NA
GeetaRani Mohanty	Raikela	1,81,107	21,210	753.9	1,26,731	9,49,540	24,767	NA
Prakash Industries Ltd.	Sirkagutu (Upar Kadakala)	12,890	-	NA	5,159	23,751	-	NA
O.M.C. Ltd.	Gandhamardan -A	19,756	-	NA	26,114	1,48,129	-	NA
D.R. Patnaik	Murgabeda	1,50,398	-	NA	1,26,975	7,78,272	-	NA
National Enterprises	Adaghat	26,829	-	NA	36,360	1,11,705	-	NA
Kashvi International Pvt Ltd	Jaribahal	74,337	-	NA	10,464	84,801	-	NA
Total		61,91,064	98,86,241	(37.4)	55,42,064	3,61,79,383	6,40,92,121	(43.6)

Miner name	Location	Oct-20	Oct-19	YoY gr. (%)	Sep-20	Apr'20-Oct'20	Apr'19-Oct'19	YoY gr. (%)
Captive miners								
SAIL	Barsuan	2,06,063	1,70,917	20.6	2,54,987	11,06,421	9,21,612	20.1
SAIL	Kalta	2,16,169	94,528	128.7	1,72,413	14,52,986	6,33,876	129.2
SAIL	Bolani	6,97,760	4,20,128	66.1	6,83,022	32,90,632	33,68,767	(2.3)
SAIL	Taldih	90,355	86,939	3.9	77,983	5,00,937	4,14,967	20.7
TATA Steel Ltd.	Khandbandh	3,43,634	2,80,698	22.4	2,81,723	22,98,353	16,39,231	40.2
TATA Steel Ltd.	Katamati	4,14,845	3,84,624	7.9	3,82,246	22,23,911	27,39,575	(18.8)
TATA Steel Ltd.	Joda East	10,20,368	9,08,311	12.3	9,48,636	63,25,245	59,85,311	5.7
Jindal Steel and Power Ltd	Tantra	1,99,282	2,45,476	(18.8)	1,23,395	8,99,390	17,57,691	(48.8)
Arcelor Mittal Thakurani	Thakurani	2,78,140	-	NA	1,34,688	4,49,085	-	NA
JSW Steel Ltd	Gonua	72,980	-	NA	50,131	1,26,952	-	NA
JSW Steel Ltd	Jajang	3,79,390	-	NA	2,53,708	8,00,283	-	NA
JSW Steel Ltd	Narayanposhi	3,63,364	-	NA	2,30,481	6,78,515	-	NA
JSW Steel Ltd	Nuagaon	2,47,684	-	NA	1,52,621	5,50,170	-	NA
Total		45,30,034	25,91,620	74.8	38,35,360	2,09,19,255	1,74,61,030	19.8
Grand Total		1,07,21,098	1,24,77,861	(14.1)	93,77,424	5,70,98,637	8,15,53,151	(30.0)

Source: Govt. of Odisha, PL

Financials

Income Statement (Rs m)

Y/e Mar	FY20	FY21E	FY22E	FY23E
Net Revenues	1,16,992	1,24,759	1,60,237	1,56,288
YoY gr. (%)	(3.7)	6.6	28.4	(2.5)
Cost of Goods Sold	2,258	2,868	3,582	3,875
Gross Profit	1,14,734	1,21,891	1,56,655	1,52,413
Margin (%)	98.1	97.7	97.8	97.5
Employee Cost	10,468	10,885	11,419	11,969
Other Expenses	37,138	43,090	69,358	71,089
EBITDA	60,104	61,001	67,702	60,589
YoY gr. (%)	(13.3)	1.5	11.0	(10.5)
Margin (%)	51.4	48.9	42.3	38.8
Depreciation and Amortization	2,944	3,298	3,448	3,598
EBIT	57,160	57,703	64,254	56,991
Margin (%)	48.9	46.3	40.1	36.5
Net Interest	99	499	641	625
Other Income	5,138	3,879	3,349	3,527
Profit Before Tax	61,235	61,082	66,962	59,893
Margin (%)	52.3	49.0	41.8	38.3
Total Tax	25,126	16,614	18,214	16,291
Effective tax rate (%)	41.0	27.2	27.2	27.2
Profit after tax	36,109	44,468	48,748	43,602
Minority interest	-	-	-	-
Share Profit from Associate	-	-	-	-
Adjusted PAT	36,109	44,468	48,748	43,602
YoY gr. (%)	(22.2)	23.1	9.6	(10.6)
Margin (%)	30.9	35.6	30.4	27.9
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	36,109	44,468	48,748	43,602
YoY gr. (%)	(22.2)	23.1	9.6	(10.6)
Margin (%)	30.9	35.6	30.4	27.9
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	36,109	44,468	48,748	43,602
Equity Shares O/s (m)	3,062	2,931	2,931	2,931
EPS (Rs)	11.8	15.2	16.6	14.9

Source: Company Data, PL Research

Balance Sheet Abstract (Rs m)

Y/e Mar	FY20	FY21E	FY22E	FY23E
Non-Current Assets				
Gross Block	50,796	46,844	48,894	50,944
Tangibles	50,796	46,844	48,894	50,944
Intangibles	-	-	-	-
Acc: Dep / Amortization	12,701	17,925	21,373	24,971
Tangibles	12,701	17,925	21,373	24,971
Intangibles	-	-	-	-
Net fixed assets	38,095	28,919	27,521	25,974
Tangibles	38,095	28,919	27,521	25,974
Intangibles	-	-	-	-
Capital Work In Progress	1,55,299	1,84,218	2,16,310	2,44,178
Goodwill	-	-	-	-
Non-Current Investments	11,345	18,569	18,621	18,672
Net Deferred tax assets	3,971	2,749	1,410	212
Other Non-Current Assets	30,755	27,126	27,726	28,326
Current Assets				
Investments	-	-	-	-
Inventories	7,235	7,628	9,468	9,423
Trade receivables	22,237	16,065	20,633	20,125
Cash & Bank Balance	24,375	19,163	19,888	24,329
Other Current Assets	15,973	15,906	15,906	15,906
Total Assets	3,12,944	3,24,088	3,61,258	3,90,950
Equity				
Equity Share Capital	3,062	2,931	2,931	2,931
Other Equity	2,73,749	2,83,767	3,17,862	3,46,811
Total Network	2,76,811	2,86,698	3,20,793	3,49,742
Non-Current Liabilities				
Long Term borrowings	5,714	5,656	5,656	5,656
Provisions	8,280	8,829	9,429	10,029
Other non current liabilities	-	-	-	-
Current Liabilities				
ST Debt / Current of LT Debt	-	-	-	-
Trade payables	2,259	2,446	3,549	3,671
Other current liabilities	19,881	20,461	21,832	21,853
Total Equity & Liabilities	3,12,944	3,24,089	3,61,259	3,90,950

Source: Company Data, PL Research

Cash Flow (Rs m)

Y/e Mar	FY20	FY21E	FY22E	FY23E
PBT	61,140	61,082	66,962	59,893
Add. Depreciation	2,949	3,298	3,448	3,598
Add. Interest	99	(2,823)	(2,261)	(2,406)
Less Financial Other Income	5,138	3,879	3,349	3,527
Add. Other	739	2,037	2,927	3,496
Op. profit before WC changes	64,927	63,595	71,076	64,580
Net Changes-WC	(20,872)	4,409	(6,942)	(2,881)
Direct tax	(22,796)	(15,393)	(16,874)	(15,093)
Net cash from Op. activities	21,260	52,611	47,260	46,605
Capital expenditures	(24,035)	(27,085)	(34,142)	(29,918)
Interest / Dividend Income	4,065	2,823	2,261	2,406
Others	16,843	-	-	-
Net Cash from Inv. activities	(3,128)	(24,262)	(31,881)	(27,511)
Issue of share cap. / premium	-	(13,781)	-	-
Debt changes	2,091	-	-	-
Dividend paid	(19,525)	(19,329)	(14,653)	(14,653)
Interest paid	(99)	-	-	-
Others	-	-	-	-
Net cash from Fin. activities	(17,533)	(33,110)	(14,653)	(14,653)
Net change in cash	599	(4,761)	726	4,441
Free Cash Flow	(2,775)	25,526	13,118	16,688

Source: Company Data, PL Research

Quarterly Financials (Rs m)

Y/e Mar	Q3FY20	Q4FY20	Q1FY21	Q2FY21
Net Revenue	30,064	31,873	19,375	22,299
YoY gr. (%)	(17.6)	(12.5)	(40.6)	(0.5)
Raw Material Expenses	221	375	(38)	1,066
Gross Profit	29,842	31,499	19,413	21,233
Margin (%)	99.3	98.8	100.2	95.2
EBITDA	15,914	14,919	7,549	10,302
YoY gr. (%)	(26.1)	(22.6)	(59.6)	(2.8)
Margin (%)	52.9	46.8	39.0	46.2
Depreciation / Depletion	646	675	573	534
EBIT	15,269	14,245	6,976	9,768
Margin (%)	50.8	44.7	36.0	43.8
Net Interest	98	(213)	93	17
Other Income	1,302	1,333	717	884
Profit before Tax	16,473	14,826	7,600	10,634
Margin (%)	54.8	46.5	39.2	47.7
Total Tax	2,707	11,311	2,267	2,892
Effective tax rate (%)	16.4	76.3	29.8	27.2
Profit after Tax	13,766	3,515	5,333	7,742
Minority interest	-	-	-	-
Share Profit from Associates	-	-	-	-
Adjusted PAT	13,766	11,959	5,333	7,742
YoY gr. (%)	(12.7)	(11.1)	(54.8)	10.1
Margin (%)	45.8	37.5	27.5	34.7
Extra Ord. Income / (Exp)	-	(229)	-	-
Reported PAT	13,766	3,515	5,333	7,742
YoY gr. (%)	(12.7)	(75.8)	(54.8)	10.1
Margin (%)	45.8	11.0	27.5	34.7
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	13,766	3,515	5,333	7,742
Avg. Shares O/s (m)	3,164	3,164	3,164	3,164
EPS (Rs)	4.4	3.8	1.7	2.4

Source: Company Data, PL Research

Key Financial Metrics

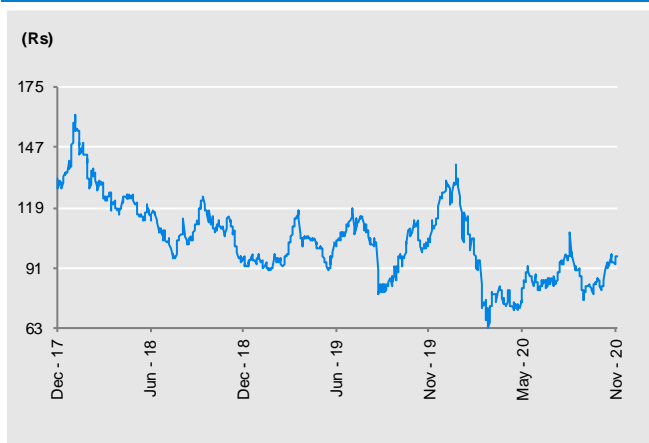
Y/e Mar	FY20	FY21E	FY22E	FY23E
Per Share(Rs)				
EPS	11.8	15.2	16.6	14.9
CEPS	12.8	16.3	17.8	16.1
BVPS	90.4	97.8	109.5	119.3
FCF	(0.9)	8.7	4.5	5.7
DPS	5.3	5.5	5.0	5.0
Return Ratio(%)				
RoCE	21.0	20.1	20.8	16.7
ROIC	13.6	15.7	16.2	13.1
RoE	13.5	15.8	16.0	13.0
Balance Sheet				
Net Debt : Equity (x)	(0.1)	0.0	0.0	(0.1)
Net Working Capital (Days)	85	62	60	60
Valuation(x)				
PER	8.8	6.8	6.2	6.9
P/B	1.1	1.1	0.9	0.9
P/CEPS	8.1	6.3	5.8	6.4
EV/EBITDA	4.9	4.7	4.3	4.7
EV/Sales	2.5	2.3	1.8	1.8
Dividend Yield (%)	5.1	5.3	4.8	4.8

Source: Company Data, PL Research

Key Operating Metrics

Y/e Mar	FY20	FY21E	FY22E	FY23E
Total Volume (mt)	32	31	37	39
Realization/t (Rs.)	3,672	3,975	4,226	3,887
EBITDA/t (Rs)	1,907	1,968	1,830	1,554

Source: Company Data, PL Research

Price Chart
Recommendation History


No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	11-Nov-20	Accumulate	98	91
2	09-Oct-20	Accumulate	98	83
3	31-Aug-20	Accumulate	125	108
4	10-Jul-20	Accumulate	87	86
5	02-Jun-20	Accumulate	98	85
6	20-Apr-20	Hold	90	80
7	07-Feb-20	Reduce	105	116
8	03-Jan-20	Reduce	105	129

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	ACC	BUY	1,805	1,563
2	Ambuja Cement	BUY	285	254
3	Coal India	Hold	132	123
4	Heidelberg Cement India	Hold	195	185
5	Hindalco Industries	BUY	230	192
6	Hindustan Zinc	Hold	235	223
7	Jindal Steel & Power	BUY	260	191
8	JK Lakshmi Cement	BUY	370	285
9	JSW Steel	Reduce	223	321
10	NMDC	Accumulate	98	91
11	Shree Cement	Reduce	20,550	23,485
12	Steel Authority of India	Reduce	30	34
13	Tata Steel	Reduce	405	492
14	The Ramco Cements	Reduce	675	802
15	Ultratech Cement	BUY	5,400	4,629

PL's Recommendation Nomenclature (Absolute Performance)

Buy	: > 15%
Accumulate	: 5% to 15%
Hold	: +5% to -5%
Reduce	: -5% to -15%
Sell	: < -15%
Not Rated (NR)	: No specific call on the stock
Under Review (UR)	: Rating likely to change shortly

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