



3R MATRIX	+	=	-
Right Sector (RS)	Green	Grey	Red
Right Quality (RQ)	Green	Grey	Red
Right Valuation (RV)	Green	Grey	Red
	+ Positive	= Neutral	- Negative

What has changed in 3R MATRIX

	Old		New
RS	Grey	↔	Grey
RQ	Green	↔	Green
RV	Green	↔	Green

Company details

Market cap:	Rs. 3,468 cr
52-week high/low:	Rs. 199/137
NSE volume: (No of shares)	2.7 lakh
BSE code:	533286
NSE code:	MOIL
Free float: (No of shares)	7.2 cr

Shareholding (%)

Promoters	64.7
FII	5.8
DII	12.1
Others	17.4

Price chart



Price performance

(%)	1m	3m	6m	12m
Absolute	1.2	14.2	20.0	1.3
Relative to Sensex	3.9	6.5	4.4	-2.0

Sharekhan Research, Bloomberg

MOIL Ltd

Price hike & volume recovery bodes well for earnings growth

Metal & Mining	Sharekhan code: MOIL		
Reco/View: Buy	↔	CMP: Rs. 170	Price Target: Rs. 205
↑ Upgrade	↔ Maintain	↓ Downgrade	

Summary

- Stabilising international manganese ore prices and MOIL's recent price hike of 7.5-15% for various grades of manganese ore hints at improving pricing environment. Price hike bodes well for recovery in MOIL's margin, and we model 17%/5% increase in margin to Rs. 4,663/Rs. 4,883 per tonne in FY24E/FY25E.
- MOIL's latest press release indicates strong growth in manganese ore sales volumes by 82%/91% m-o-m to 0.85/1.64 lakh tonnes in November/December 2022 and we estimate sales volume growth of 43% q-o-q to ~3 lakh tonnes in Q3FY23. Removal of steel export duty would further aid volume recovery in the coming quarters and Q4 is seasonally strong in term of volumes.
- We expect MOIL's EBITDA/PAT to clock 16%/17% CAGR over FY23E-25E led by both volume/margin recovery. The company's strong balance sheet (cash & cash equivalent of Rs. 1,030 crore) would support its strategic plan to expand production to 3 mtpa by 2030, which implies 12% CAGR over FY22-30E.
- We maintain a Buy rating on MOIL with an increased PT of Rs. 205 nothing inexpensive valuation of 3.2x/2.5x FY24E/FY25E EV/EBITDA and healthy dividend yield of 3-4%.

MOIL's recent price hike of 7.5-15% for various grades of manganese ore with effect from January 01, 2023 and our expectation of strong growth in sales volumes in H2FY23 (Q4 is seasonal strong quarter) would drive earnings recovery from Q4FY23. Removal of steel export duty would increase domestic steel production, which in turn would further aid volume growth for MOIL. Overall, we MOIL's EBITDA/PAT to clock 16%/17% CAGR over FY23E-25E led by manganese ore sales volume CAGR of 5% and recovery in margin by 17%/5% to Rs. 4,663/Rs. 4,883 per tonne in FY24E/FY25E. We maintain our Buy rating on MOIL with a revised PT of Rs. 205.

- Recent price hike hints at improving manganese ore price environment:** The international manganese ore price has stabilised and is hovering ~6.1/dmt (an increase of 7% since November 2022). MOIL has also taken steep price hike of 7.5%-15% for various grades of manganese ore for January 2023 post five consecutive price cuts during August-December 2022. The price hike would support a recovery in MOIL's realisation/margins from Q4FY23 onwards. We expect MOIL's margin to post strong recovery of 17%/5% to Rs. 4,663/Rs. 4,883 per tonne in FY24E/FY25E as compared to our estimate of 11% decline in FY23 to Rs. 3,986/tonne.
- Removal of steel export duty to support volumes in H2FY23; strategic plan to increase production to 3mtpa by 2030:** MOIL registered robust manganese ore production growth of 60%/18% m-o-m to 1.2/1.4 lakh tonnes and sales volume growth 82%/91% m-o-m to 0.85/1.64 lakh tonnes in November/December 2022. We estimate a strong production/sales volume growth of 40%/43% q-o-q to 3.4/3 lakh tonnes for Q3FY23. Furthermore, a likely increase in domestic steel production (given recent withdrawal of export duty on steel) would drive demand for manganese ore and Q4 is seasonally strong for MOIL. MOIL has prepared a strategic plan to enhance its production to 3 mtpa by 2030, which implies a CAGR of 12% over FY22-30E.
- Strong balance sheet and decent dividend yield provides comfort:** MOIL has a strong balance with cash and cash equivalent of ~Rs. 1,030 crore as on September 2022, which is 30% of its current market capitalisation. Strong balance sheet and healthy dividend yield of 3-4% provide comfort to investors.

Our Call

Valuation – Maintain Buy on MOIL with a revised PT of Rs. 205: We have increased our FY23-24 earnings estimate to factor higher volume/margin assumption and have also introduced our FY25 earnings estimate in this report. The stock is attractively valued at 3.2x/2.5x its FY2024E/FY2025E EV/EBITDA, considering expectation of earnings recovery and healthy dividend yield of 3-4%. Hence, we maintain a Buy rating on MOIL with an increased PT of Rs. 205 (revision in PT reflects increase in FY24 earnings estimate).

Key Risks

Lower steel output amid recent policy changes could affect manganese ore demand. Lower-than-expected manganese ore prices could affect the company's profitability and our view on the stock.

Valuation

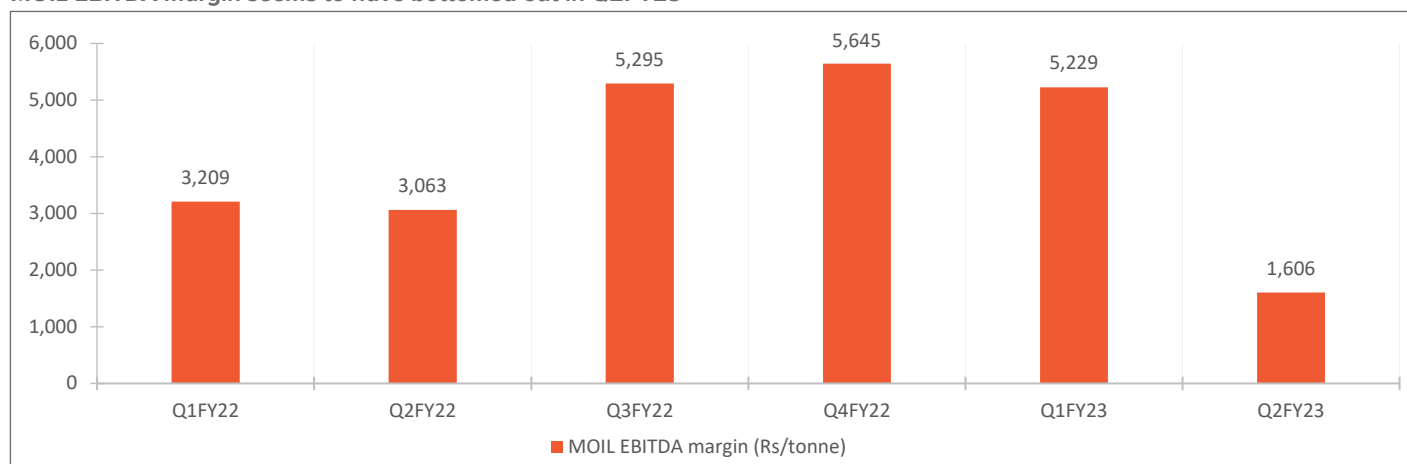
	Rs cr			
Particulars	FY22	FY23E	FY24E	FY25E
Revenue	1,436	1,457	1,637	1,745
OPM (%)	37.7	35.4	38.7	39.9
Adjusted PAT	371	353	444	487
% YoY growth	63.5	-4.7	25.8	9.6
Adjusted EPS (Rs.)	18.2	17.4	21.8	23.9
P/E (x)	9.4	9.8	7.8	7.1
P/B (x)	1.6	1.5	1.3	1.2
EV/EBITDA (x)	4.4	4.4	3.2	2.5
RoNW (%)	14.9	15.7	17.7	17.4
RoCE (%)	20.8	20.9	23.6	23.1

Source: Company; Sharekhan estimates

Price hike bodes well for recovery in realisation/margin

International manganese ore prices have tabilized at \$5.6-6.1/dMtu and have increased by 7% since November 2022. MOIL has taken hike prices of 15% for manganese ore with content of Mn-44% and above and that of manganese ore with content below Mn-44% by 7.5% with effect from January 01, 2023 and the same is expected to support margin recovery from Q4FY23 onwards. MOIL has taken price hike post five consecutive price cuts over August to December 2022 and a sustained price recovery would indicate improving manganese ore prices, which is key for MOIL's margin recovery. We expect margin to post strong recovery of 17%/5% to Rs. 4,663/Rs. 4,883 per tonne in FY24E/FY25E as compared to our estimate of 11% decline in FY23 to Rs. 3,986/tonne.

MOIL EBITDA margin seems to have bottomed out in Q2FY23



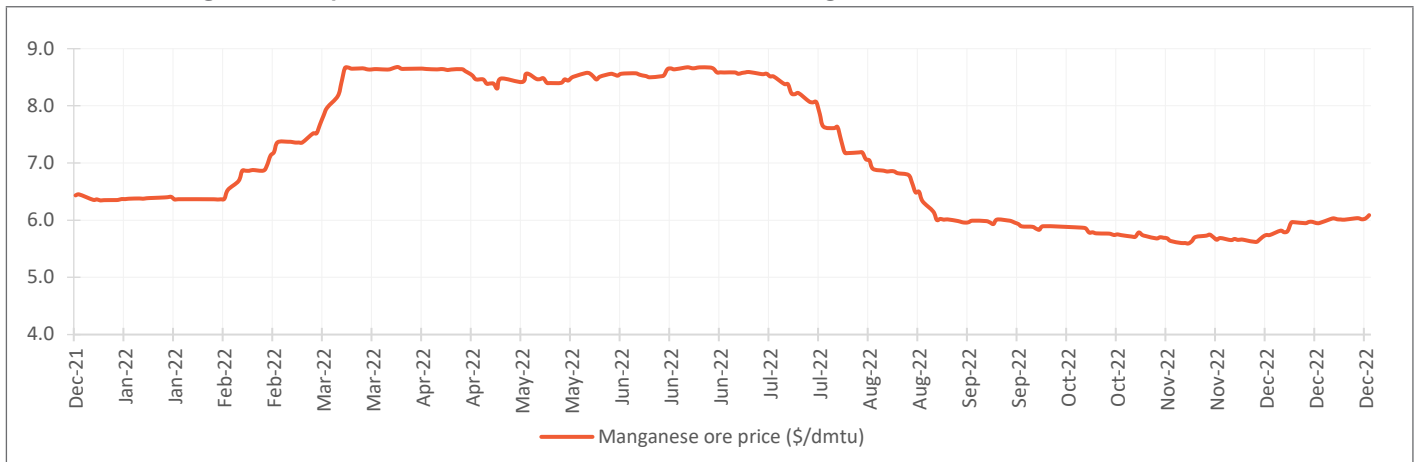
Source: Company, Sharekhan Research

Price hike/cut taken by MOIL since January 2022

Particulars	Price hike/cut	
	Manganese content Mn-44% & above	Manganese content below Mn-44%
Jan-22	-2.5%	-5%
Feb-22	0%	0%
Mar-22	15%	10%
Apr-22	20%	10%
May-22	0%	10%
Jun-22	0%	0%
Jul-22	0%	5%
Aug-22	-10%	-10%
Sep-22	-15%	-10%
Oct-22	-10%	0%
Nov-22	-7.5%	0%
Dec-22	-5%	-5%
Jan-23	15%	8%

Source: Company; Sharekhan Research

International manganese ore price has stabilised and seen modest recovery since November 2022

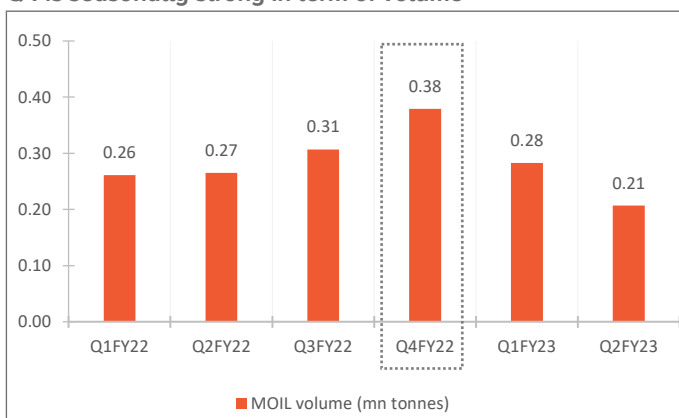


Source: Bloomberg

Strong volume recovery in Nov-Dec 2022; withdrawal of steel export duty to further aid volume growth over FY24E-25E

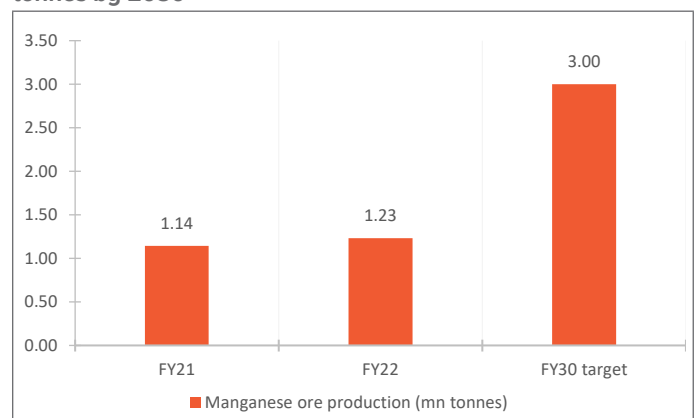
In its latest media release, MOIL clocked phenomenal growth in its manganese ore production and sales volume figures. The company registered a 60%/18% m-o-m increase in its production to 1.2/1.4 lakh tonnes and sales volume growth of 82%/91% m-o-m to 0.85/1.64 lakh tonnes in November/December 2022. The provisional sales numbers indicate a strong sequential volume of 43% q-o-q to ~3 lakh tonnes in Q3FY23 and Q4 is seasonally strong in term of volume. Manganese ore demand would further get boost from potential increase in domestic steel production as the government has removed steel export duty. MOIL is expected to benefit the most as it is the largest manganese ore producer in India with market share of ~45%. Also, we highlight here that, MOIL has prepared a strategic plan to enhance its production to 3 mtpa by 2030, which implies a CAGR of 12% over FY22-30E.

Q4 is seasonally strong in term of volume



Source: Company, Sharekhan Research

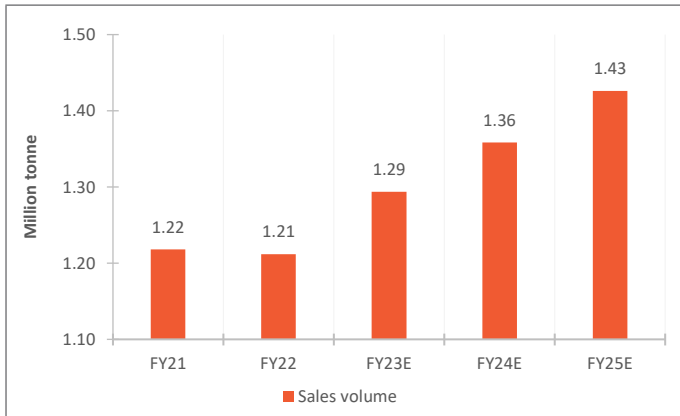
MOIL aims to increase manganese ore production to 3 million tonnes by 2030



Source: Company, Sharekhan Research

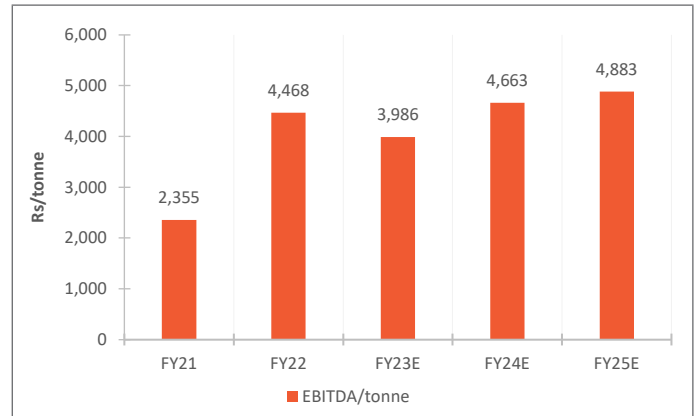
Financials in charts

Decent sales volume growth outlook



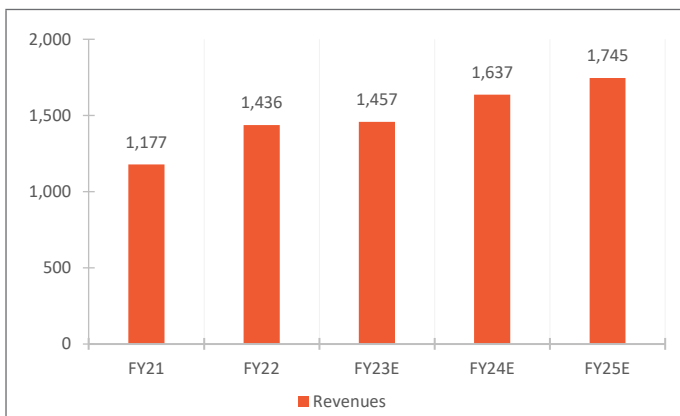
Source: Company, Sharekhan Research

EBITDA/tonne to recovery over FY24E-25E



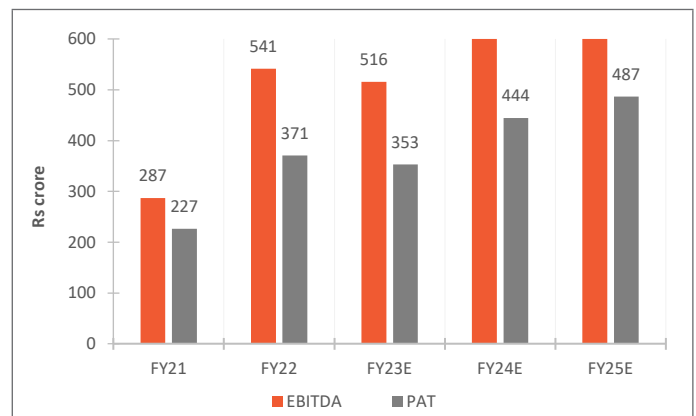
Source: Company, Sharekhan Research

Revenue trend



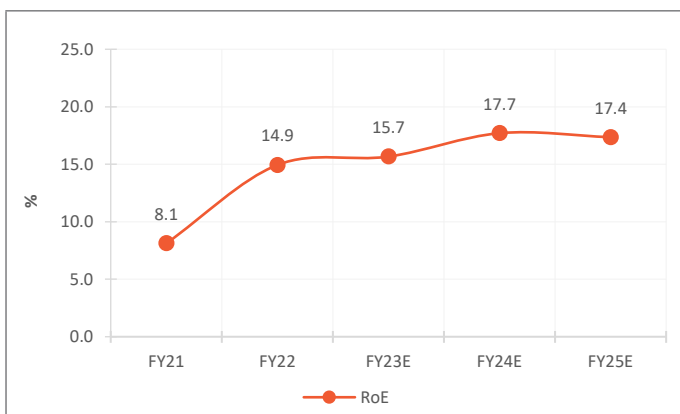
Source: Company, Sharekhan Research

EBITDA/PAT to clock 16%/17% CAGR over FY23-25E



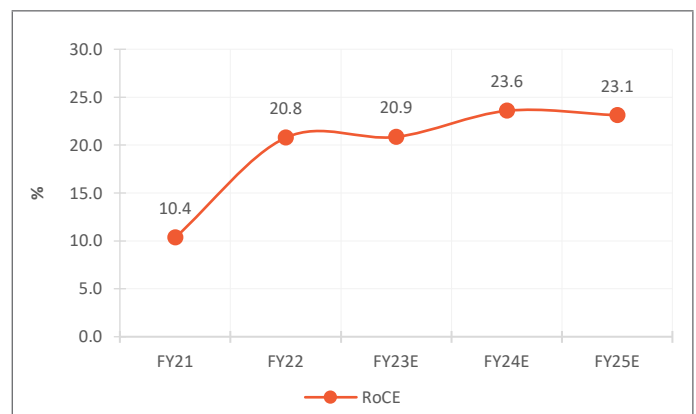
Source: Company, Sharekhan Research

RoE trend



Source: Company, Sharekhan Research

RoCE trend



Source: Company, Sharekhan Research

Outlook and Valuation

■ Sector View – Long-term rise in steel consumption to drive manganese ore demand

The National Steel Policy of India, 2017, aspires to achieve 300 million tonnes of steelmaking capacity by 2030. This would translate into additional consumption of steelmaking raw materials such as iron ore and manganese ore. Moreover, the recent removal of steel export duty would increase domestic steel production and in turn drive demand for manganese ore in the coming quarters.

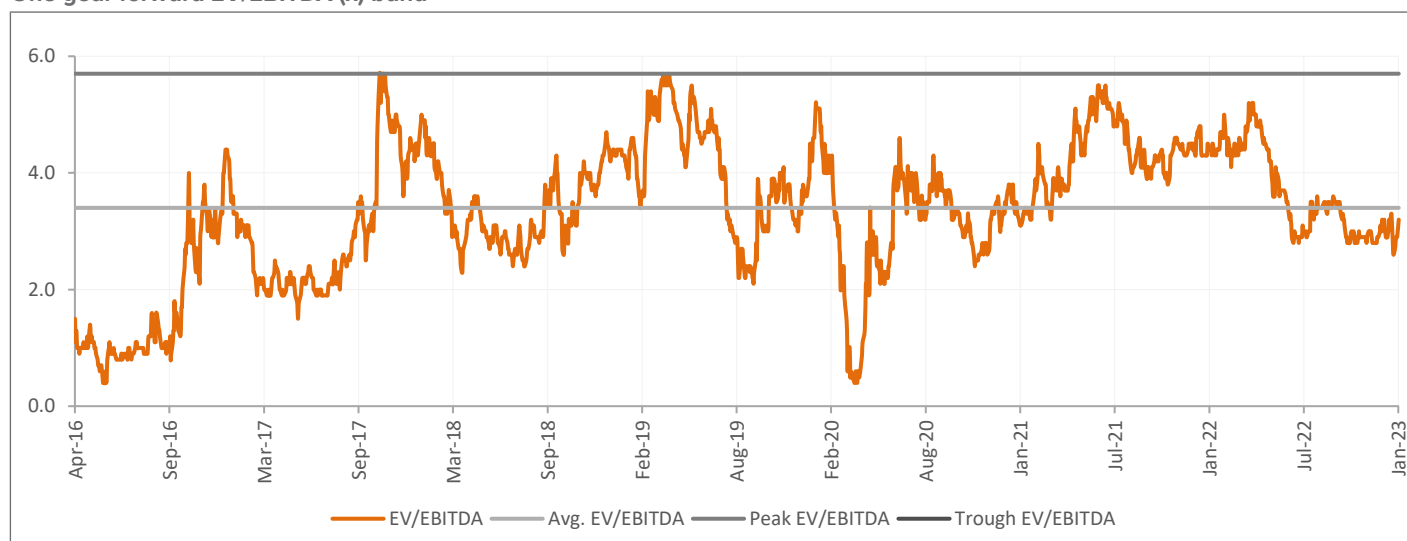
■ Company Outlook – Volume & margin recovery to drive earnings growth

Recent price hike and expectation of strong growth in sales volume in H2FY23 (Q4 is seasonal strong quarter) would drive earnings recovery from Q4FY23. We model manganese ore sales volume CAGR of 5% and recovery in margin by 17%/5% to Rs. 4,663/Rs. 4,883 per tonne in FY24E/FY25E. Hence, we expect MOIL's EBITDA/PAT to clock 16%/17% CAGR over FY23E-25E and improvement in RoE/RoCE to 18%/24% in FY24 versus 16%/21% in FY22.

■ Valuation – Maintain Buy on MOIL with a revised PT of Rs. 205

We have increased our FY23-24 earnings estimate to factor higher volume/margin assumption and have also introduced our FY25 earnings estimates in this report. The stock is attractively valued at 3.2x/2.5x its FY2024E/ FY2025E EV/EBITDA, considering expectation of earnings recovery and a healthy dividend yield of 3-4%. Hence, we maintain a Buy rating on MOIL with an increased PT of Rs. 205 (reflects increase in FY24 earnings estimate).

One-year forward EV/EBITDA (x) band



Source: Company, Sharekhan Research

About company

MOIL Limited, erstwhile Manganese Ore (India) Limited, is India's largest manganese ore producer with production of 1.23 million tonne (mt) in FY2022. MOIL operates 11 mines, of which seven are located in Nagpur and Bhandara districts of Maharashtra and four in Balaghat district of Madhya Pradesh. The company holds strong manganese ore reserve base of 94.94 mt and holds a 45% market share in overall manganese ore production in India. MOIL has a prospecting license over a total of 1,754 hectares of leased area in Maharashtra and Madhya Pradesh.

Investment theme

We believe MOIL is well placed to capitalise on potential recovery in domestic steel demand growth as it holds strong reserves and a resource base of 95 mt. Recent price hike bode well for margin recovery. To meet the rising demand of manganese ore for the steel industry, MOIL has set an aggressive manganese ore production target of 2 mt by 2021, 2.5 mt by 2025, and 3 mt by 2030. Moreover, the company is attractively valued, offers a healthy dividend yield, and has a strong cash position, which provide room for share buyback.

Key Risks

- ♦ Lower steel output amid recent policy changes could affect manganese ore demand.
- ♦ Lower-than-expected manganese ore prices could affect the company's profitability and our view on the stock.

Additional Data

Key management personnel

M.P. Chaudhari	Chairman and Managing Director
Rakesh Tumane	Director - Finance
D. S. Shome	Director - Production & Planning

Source: Company Website

Top 10 shareholders

Sr. No.	Holder Name	Holding (%)
1	Life Insurance Corp of India	7.48
2	Massachusetts Financial Services C	2.99
3	UTI Asset Management Co Ltd	1.44
4	United India Insurance Co Ltd	1.14
5	Dimensional Fund Advisors LP	0.68
6	Aditya Birla Sun Life Asset Manage	0.15
7	VALIC Co I	0.09
8	State Street Corp	0.03
9	American Century Cos Inc	0.03
10	GAM Holding AG	0.02

Source: Bloomberg

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Understanding the Sharekhan 3R Matrix

Right Sector	
Positive	Strong industry fundamentals (favorable demand-supply scenario, consistent industry growth), increasing investments, higher entry barrier, and favorable government policies
Neutral	Stagnancy in the industry growth due to macro factors and lower incremental investments by Government/private companies
Negative	Unable to recover from low in the stable economic environment, adverse government policies affecting the business fundamentals and global challenges (currency headwinds and unfavorable policies implemented by global industrial institutions) and any significant increase in commodity prices affecting profitability.
Right Quality	
Positive	Sector leader, Strong management bandwidth, Strong financial track-record, Healthy Balance sheet/cash flows, differentiated product/service portfolio and Good corporate governance.
Neutral	Macro slowdown affecting near term growth profile, Untoward events such as natural calamities resulting in near term uncertainty, Company specific events such as factory shutdown, lack of positive triggers/events in near term, raw material price movement turning unfavourable
Negative	Weakening growth trend led by led by external/internal factors, reshuffling of key management personal, questionable corporate governance, high commodity prices/weak realisation environment resulting in margin pressure and deteriorating balance sheet
Right Valuation	
Positive	Strong earnings growth expectation and improving return ratios but valuations are trading at discount to industry leaders/historical average multiples, Expansion in valuation multiple due to expected outperformance amongst its peers and Industry up-cycle with conducive business environment.
Neutral	Trading at par to historical valuations and having limited scope of expansion in valuation multiples.
Negative	Trading at premium valuations but earnings outlook are weak; Emergence of roadblocks such as corporate governance issue, adverse government policies and bleak global macro environment etc warranting for lower than historical valuation multiple.

Source: Sharekhan Research

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