



3R MATRIX

	+	=	-
Right Sector (RS)	Green	Grey with check	Red
Right Quality (RQ)	Green with check	Grey	Red
Right Valuation (RV)	Green with check	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. 6,186 cr
52-week high/low:	Rs. 588/260
NSE volume: (No of shares)	2.0 lakh
BSE code:	533286
NSE code:	MOIL
Free float: (No of shares)	7.1 cr

Shareholding (%)

Promoters	64.9
FII	4.9
DII	7.9
Others	22.3

Price chart



Price performance

(%)	1m	3m	6m	12m
Absolute	-7.5	-25.3	-39.4	3.4
Relative to Sensex	-7.2	-23.2	-45.9	-18.0

Sharekhan Research, Bloomberg

MOIL Ltd

Weak Q2; Downgrade to Hold

Metal & Mining

Sharekhan code: MOIL

Reco/View: Hold



CMP: Rs. 304

Price Target: Rs. 330



Upgrade



Maintain



Downgrade

Summary

- Q2FY25 Revenue/EBITDA of Rs. 292 crore/Rs. 79 crore fell 16%/18% y-o-y and was lagging our estimates as the decline in sales volume (down 18% y-o-y and 34% q-o-q) affected the performance.
- Realization of Rs. 9,121/tonne was flat y-o-y and down 34% q-o-q. Blended margin of Rs. 2,657/tonne was flat y-o-y and down 44% q-o-q.
- MOIL has taken 3-4 price cuts recently because of the weak pricing outlook of the sector currently.
- We downgrade the stock to Hold with a revised PT of Rs. 330 given the uncertainty regarding the pricing environment. The stock trades at 6.6x/5.7x its FY26/27 EV/EBITDA (expensive vs historical multiples).

MOIL Limited's Q2FY2025 operating profit of Rs. 79 crore (down 17.9% y-o-y and 62.9% q-o-q) was below our estimates because of weak sales volumes and flat realizations. EBITDA/tonne of Rs. 2,657/tonne was flat y-o-y and down 44% q-o-q, inline with the operating performance. Sales volumes of 0.3 mt was weak, falling 17.5% y-o-y and 34.2% q-o-q. Production volume of 0.4 mt was up 5.5% y-o-y and down 15.1% q-o-q. Net profit of Rs. 50 crore was down 18.9% y-o-y and 67.2% q-o-q. MOIL has undertaken 3-4 price cuts recently due to the weak sectoral outlook. Company aims for a production and sales volume of 2.4 mt by FY26 led by capacity expansion.

Key negatives

- Lower-than-expected manganese ore sales volume of 0.3 mt, down 18% y-o-y.
- Company has implemented price cuts recently.

Our Call

Valuation – Downgrade to Hold with a revised PT of Rs. 330: Manganese ore prices have been declining recently, inline with the weak outlook for the steel sector. Prices had shot up at the start of the year due to capacity constraints at a global player. But that capacity is also expected to be back on-stream at the start of CY25. Volumes are expected to grow well with the strong domestic growth outlook of steel. MOIL has an aim of sales of 2.4 mt in FY26. But the uncertain pricing environment doesn't bode well for the company. We downgrade the stock to Hold with a revised PT of Rs. 330. At CMP, it trades at 6.6x/5.7x its FY26/27 EV/EBITDA.

Key Risks

Rise in manganese ore price and demand is an upside risk and vice versa.

Valuation

Particulars	FY23	FY24	FY25E	FY26E	FY27E
Revenue	1,342	1,449	1,852	2,199	2,388
OPM (%)	27.5	30.2	33.8	35.2	36.2
Adjusted PAT	251	293	434	529	587
% y-o-y growth	-32.4	17.1	48.0	21.9	10.8
Adjusted EPS (Rs)	12.3	14.4	21.3	26.0	28.8
P/E (x)	24.7	21.1	14.2	11.7	10.5
P/B (x)	2.8	2.5	2.3	2.0	1.8
EV/EBITDA (x)	14.2	12.0	8.3	6.6	5.7
RoNW (%)	11.4	12.5	16.8	18.3	18.0
RoCE (%)	14.9	16.0	21.7	23.7	23.5

Source: Company; Sharekhan estimates

Results (Standalone)

					Rs cr
Particulars	Q2FY25	Q2FY24	YoY (%)	Q1FY25	QoQ (%)
Revenue	292	348	-16.0	493	-40.8
Total Expenditure	213	251	-15.3	279	-23.8
Operating profit	79	96	-17.9	214	-62.9
Other Income	27	20	30.8	27	-1.0
Depreciation	38	35	7.4	36	3.8
PBT	68	82	-16.5	204	-66.6
Tax	18	20	-9.3	52	-65.0
PAT	50	62	-18.9	152	-67.2
Equity Cap (cr)	20	20		20	
Reported EPS (Rs)	2.5	3.0	-18.9	7.5	-67.2
Margins(%)			BPS		BPS
Adjusted OPM	27.1	27.7	-61.2	43.4	-1,623.4
Adjusted NPM	17.1	17.7	-60.9	30.9	-1,379.7
Tax rate	26.7	24.6	213.7	25.4	125.9

Source: Company; Sharekhan Research

Key operating metrics

Particulars	Q2FY25	Q2FY24	YoY (%)	Q1FY25	QoQ (%)
Production volume (million tonnes)	0.4	0.379	5.5	0.471	-15.1
Sales volume (million tonnes)	0.30	0.36	-17.5	0.45	-34.2
Realisation (Rs/tonne)	9,121	9,202	-0.9	10,514	-13.3
Blended EBITDA (Rs/tonne)	2,657	2,670	-0.5	4,717	-43.7

Source: Company; Sharekhan Research

Outlook and Valuation

■ Sector Outlook – Rise in domestic steel consumption to drive manganese ore demand but pricing outlook is weak

The National Steel Policy of India 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. However, near term uncertainties of weak pricing because of slowdown in Chinese real estate market is weighing down the sector.

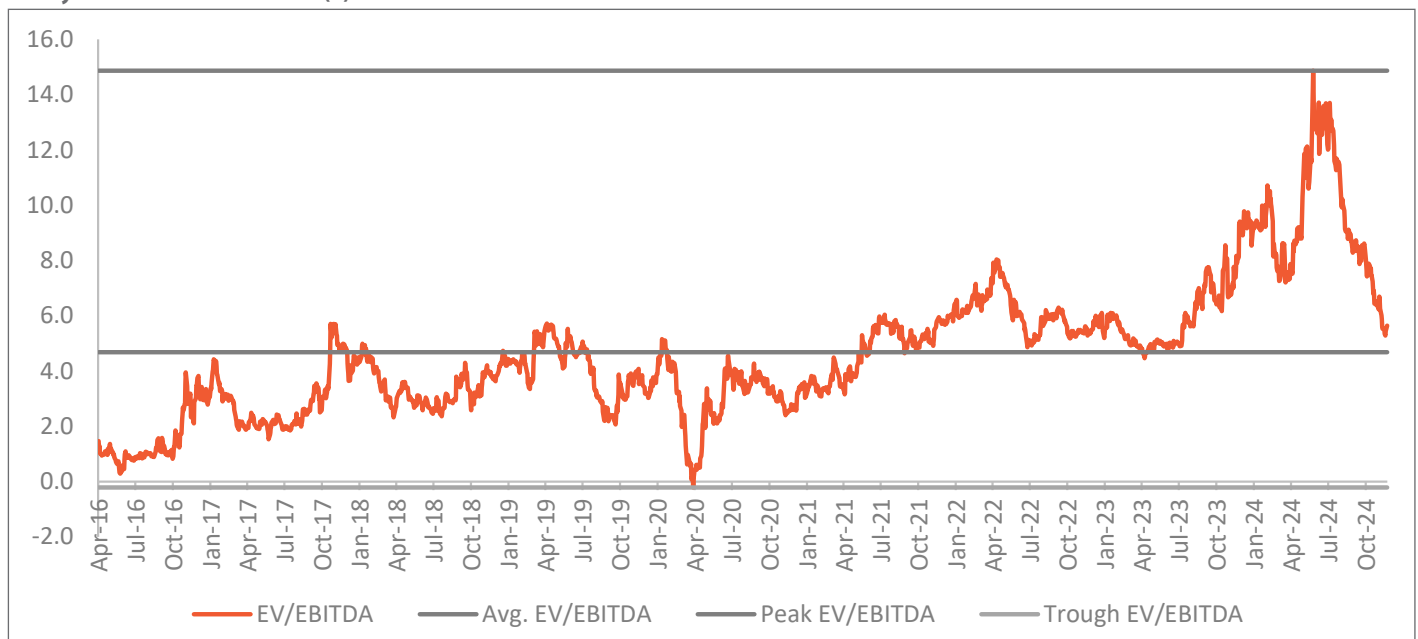
■ Company Outlook – Volumes to drive growth but uncertain pricing outlook a concern

MOIL has an aim of production and sales of 2.4 mn tonnes of manganese ore by FY26 aided by capacity expansion. Volumes of the company will grow in tandem with the steel demand in the country and can easily grow at 8% CAGR. But the pricing environment is uncertain with the weak sectoral outlook for steel. Company has taken price cuts recently as well. We expect a decent Revenue/EBITDA CAGR of 18%/25% over FY2024-FY2027E with RoE of 18% in FY2027.

■ Valuation – Downgrade to Hold with a revised PT of Rs. 330

Manganese ore prices have been declining recently, inline with the weak outlook for the steel sector. Prices had shot up at the start of the year due to capacity constraints at a global player. But that capacity is also expected to be back on-stream at the start of CY25. Volumes are expected to grow well with the strong domestic growth outlook of steel. MOIL has an aim of sales of 2.4 mt in FY26. But the uncertain pricing environment doesn't bode well for the company. We downgrade the stock to Hold with a revised PT of Rs. 330. At CMP, it trades at 6.6x/5.7x its FY26/27 EV/EBITDA.

One-year forward EV/EBITDA (x) band



Source: Sharekhan Research

About the company

MOIL is a miniratna state-owned manganese ore mining company headquartered in Nagpur, India. It is the largest producer of manganese ore in India, with a market share of approximately 50%. MOIL operates 11 mines in the adjoining districts of Maharashtra and Madhya Pradesh. The company produces various grades of manganese ore, including high-grade ore for ferro manganese production, medium-grade ore for silico manganese production, blast furnace grade ore for hot metal production, and dioxide for dry battery cells and chemical industries.

Investment theme

MOIL is well placed to capitalise on the strong domestic steel demand growth in the country. Moreover, more than half of manganese ore is imported in India, hence import substitution can also help the company. MOIL has set an aggressive manganese ore production target of 2.4 mt by 2026 and 3.5 mt by 2030. But the weak outlook of the steel sector doesn't bode well for the pricing of manganese ore and is acting as an overhang.

Key Risks

Rise in manganese ore price and demand is an upside risk and vice versa.

Additional Data

Key management personnel

Ajit Kumar Saxena	Chairman and Managing Director
Rakesh Tumane	Director – Finance
M.M. Abdulla	Director - Production & Planning
Rashmi Singh	Director (Commerical)

Source: Company Website

Top 10 shareholders

Sr. No.	Holder Name	Holding (%)
1	Life Insurance Corp of India	4.73
2	Dimensional Fund Advisors LP	0.80
3	IDFC Mutual Fund/India	0.66
4	Mahindra Manulife Investment Manag	0.60
5	Blackrock Inc	0.50
6	Victory Capital Management Inc	0.13
7	ICICI Prudential Asset Management	0.12
8	Tocqueville Asset Management LP	0.08
9	Motilal Oswal Asset Management Co	0.08
10	LIC Mutual Fund Asset Management C	0.06

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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