

Yet to optimize its full potential; BUY

MOIL Ltd reported a good set of numbers for Q3FY19. Revenue grew by 13% YoY on account of robust demand which led to higher NSR (net sales realization). EBITDA grew by 26% YoY to Rs. 1,547 million, with margins improving by 500 bps to 46%, contributed by an increase in productivity per employee. Net Profit grew by 16% YoY to Rs. 1,204 million, while EPS grew by 20% to Rs.4.67. Overall volumes in manganese ore segment remained flat on YoY basis. However, robust demand in India and commissioning of expansion of mines would drive revenue and earnings growth going forward.

Company is likely to miss volume growth guidance.

In FY18, the Company's management had guided for a volume growth target of 15% in FY19 translating to ~1.35 million tonne. But after analyzing the 9 months FY19 volume data, we can expect only 4-5% YoY production growth, while sales volume is likely to be flat YoY. The company's expansion of Chilka Mine which started in 2015 is likely to complete in the current quarter. This benefit would procure in FY20, helping MOIL in achieving its erstwhile stated target volume of 1.35MT.

MOIL and GMDC proposed JV to set up plant in Gujarat

MOIL has entered into an agreement with GMDC to set up a plant in Gujarat through a joint venture with an investment of ~INR 2.5 Bn to conduct joint exploration in manganese-bearing areas. It is proposed to start exploring its feasibility for conducting mining operations as well as for setting up value added plants at Vadodara and Chhota Udepur (Gujarat) in CY19.

Valuation and Outlook

MOIL's strong business model bolstered by low cost operations and dominant market position helps the company to capitalize on strong demand growth arising from ramp up of existing as well as new steel capacities. On the financial front the company remains strong owing to its debt free position and strong cash balance of INR 23 Bn. (55% of current market cap.), which is further supported by robust FCF. MOIL's Revenue and PAT is expected to grow at a CAGR of 7.3% and 8.3% respectively, over FY18-20E, with an EBITDA margin of 40% in FY20E. However, slow volume growth and volatility in international manganese prices leads us to reserve conservative future estimates. Hence, we revise our target price to Rs.238 from Rs. 283 earlier by assigning 5.5x EV/EBITDA multiple to FY20E EBITDA for 9-12 months.

Stock Rating

BUY	HOLD	SELL
> 15%	-5% to 15%	< -5%

Sector Outlook

Positive

Stock

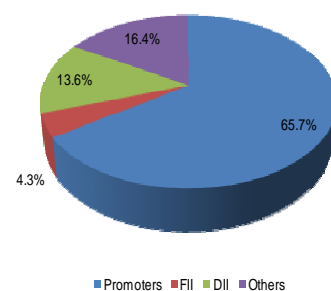
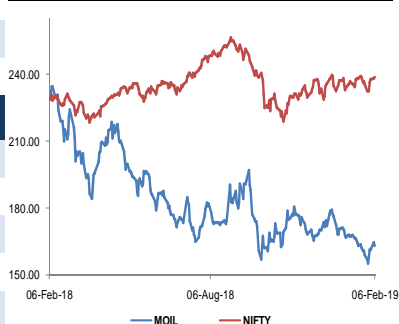
CMP (Rs)	163
Target Price (Rs)	238
BSE code	533286
NSE Symbol	MOIL
Bloomberg	MOIL IN
Reuters	MOIL.BO

Key Data

Nifty	10,912
52WeekH/L(Rs)	239/154
O/s Shares (Mn)	257
Market Cap (Rs bn)	42
Face Value (Rs)	10

Average volume

3 months	1,37,450
6 months	3,01,390
1 year	3,12,560

Share Holding Pattern (%)**Relative Price Chart****Research Analyst**

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Key Financials

YE March (Rs. mn)	FY16	FY17	FY18	FY19E	FY20E
Net Sales	6,287	9,819	13,189	13,608	15,197
Growth %	-24%	56%	34%	3%	12%
EBIDTA	706	2,983	4,966	5,315	6,030
Growth%	-81%	323%	67%	7%	13%
Net Profit	1,730	3,058	3,985	4,267	4,671
Growth %	-60%	77%	30%	7%	9%
Diluted EPS	7	12	15	17	18
Growth %	-60%	77%	30%	7%	9%

Profitability & Valuation

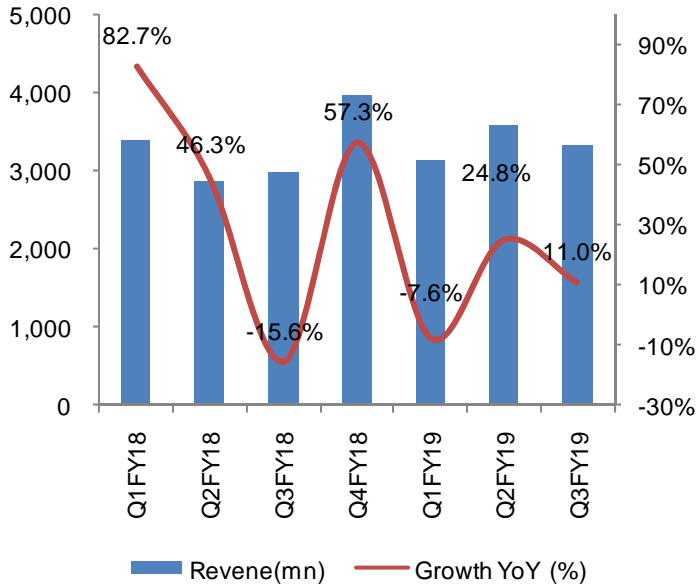
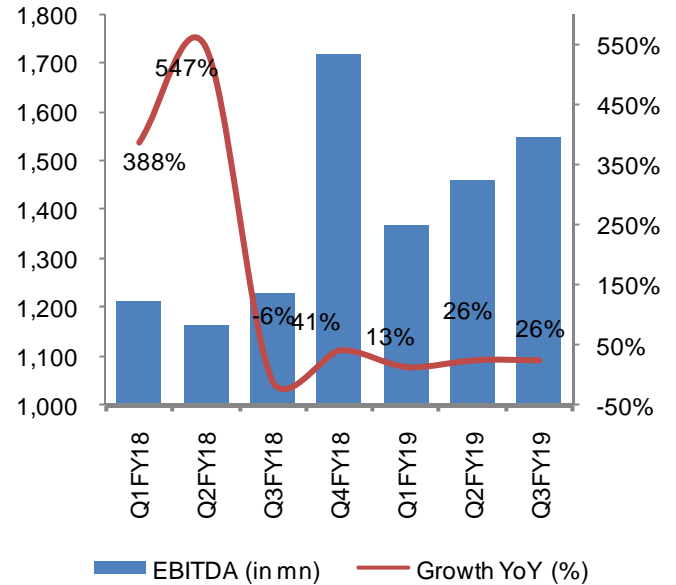
EBIDTA (%)	11%	30%	38%	39%	40%
NPM (%)	28%	31%	30%	31%	31%
RoE (%)	5%	10%	13%	13%	13%
RoCE (%)	1%	9%	14%	13%	14%
P/E (x)	26.1	14.7	11.3	10.6	9.7
EV/EBITDA (x)	23.5	8.1	4.2	3.6	2.8
P/BV (x)	1.3	1.6	1.4	1.3	1.2

Source: Company, BP Equities Research

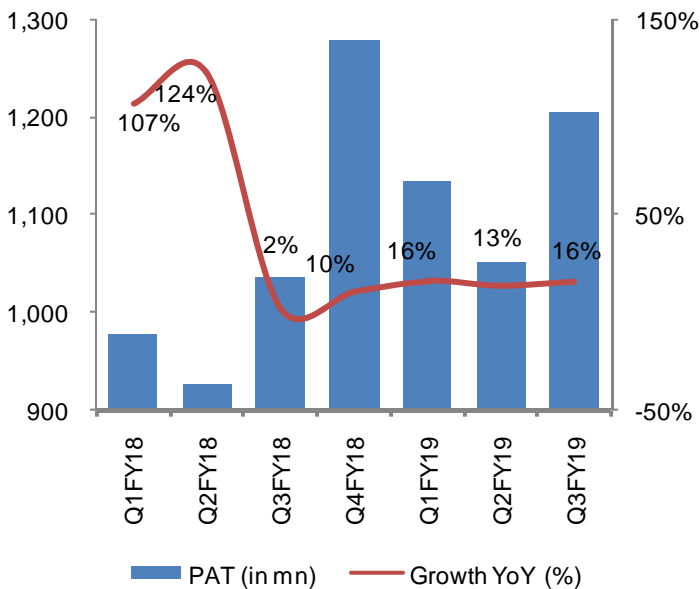
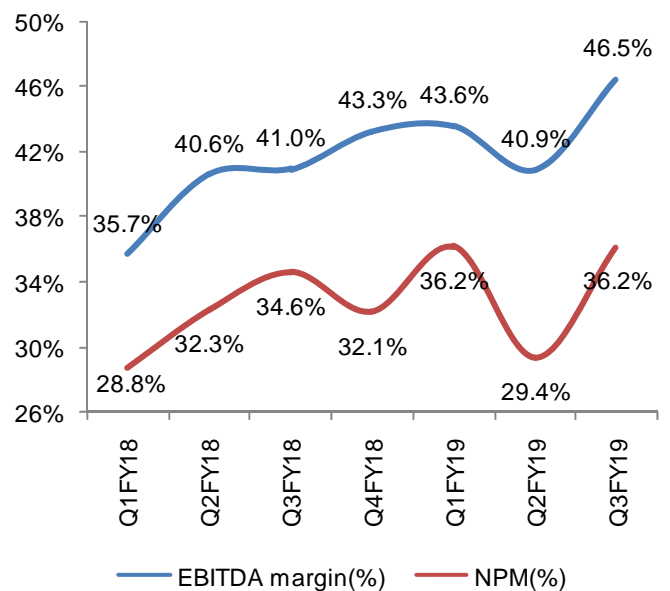
MOIL Ltd Q3FY19 Quarterly Result

YE March (Rs. mn)	Q3 FY19	Q2 FY19	Q-o-Q change %	Q3 FY18	Y-o-Y change %
Net Sales	3,328	3,577	(7.0%)	2,998	11.0%
Other Operating Income	0	0		0	
Total Revenue	3,328	3,577	(7.0%)	2,998	11.0%
Less:					
Raw Material Cost	(112)	278	(140.3%)	(41)	
Operating & Manufacturing Expenses	884	873	1.3%	793	11.4%
Employee Cost	1,009	963	4.8%	1,017	(0.8%)
Total Expenditure	1,781	2,114	(15.7%)	1,770	0.6%
EBIDTA	1,547	1,464	5.7%	1,228	25.9%
Less: Depreciation	170	156	9.0%	157	8.3%
EBIT	1,377	1,308	5.3%	1,072	28.5%
Less: Interest	0.0	0.0	0.0%	0.0	0.0%
Add: Other income	473	450		474	
Profit before tax	1,850	1,758	5.3%	1,546	19.7%
Adjusted Profit before Tax	1,850	1,758	5.3%	1,546	19.7%
Less: Total Tax	646	707	(8.6%)	508	27.2%
Profit After Tax	1,204	1,051	14.6%	1,038	16.0%
Adjusted Profit After Tax	1,204	1,051	14.6%	1,038	16.0%
Diluted EPS (Rs.)	4.7	4.1	14.6%	4.0	16.0%
Diluted No of Share (mn)	257.6	257.6		257.6	
Margin Analysis %	Q3 FY19	Q2 FY19	Change in bps	Q3 FY18	Change in bps
EBIDTA Margin %	46.5%	40.9%	557	41.0%	551
EBIT Margin %	41.4%	36.6%	482	35.7%	563
NPM %	36.2%	29.4%	680	34.6%	156
Effective Tax Rate %	34.9%	40.2%	(530)	32.9%	206

Source: Company, BP Equities Research

Revenue growth of 11% YoY

EBITDA surged by 26% YoY


Source: Company, BP Equities Research

PAT showed growth of 16% YoY

EBITDA/ PAT margin trend


Source: Company, BP Equities Research



Profit & Loss A/c					
YE March (Rs. mn)	FY16	FY17	FY18	FY19E	FY20E
Revenue	6,287	9,819	13,189	13,608	15,197
Growth %	-23.6%	56.2%	34.3%	3.2%	11.7%
Total Revenue	6,287	9,819	13,189	13,608	15,197
Less:					
Raw Material Consumed	(51)	615	333	760	821
Employee Cost	3,012	3,077	4,062	3,987	4,386
Other Expenses	322	345	690	0	0
Total Operating Expenditure	5,582	6,837	8,223	8,293	9,167
EBITDA	706	2,983	4,966	5,315	6,030
Growth %	-81.4%	322.7%	66.5%	7.0%	13.4%
Less: Depreciation	525	547	624	723	836
EBIT	181	2,435	4,342	4,592	5,194
Growth %	-94.6%	1245.6%	78.3%	5.7%	13.1%
Interest Paid	0	28	0	0	0
Non-operating Income	2,522	2,211	1,777	1,777	1,777
Extraordinary Income	0	0	0	0	0
Profit Before tax	2,703	4,619	6,119	6,369	6,971
Tax	973	1,561	2,134	2,102	2,300
Net Profit	1,730	3,058	3,985	4,267	4,671
Adjusted Profit	1,730	3,058	3,985	4,267	4,671
Reported Diluted EPS Rs	6.7	11.9	15.5	16.6	18.1
Growth %	-59.6%	76.8%	30.3%	7.1%	9.5%
Adjusted Diluted EPS Rs	6.7	11.9	15.5	16.6	18.1
Growth %	-59.6%	76.8%	30.3%	7.1%	9.5%

Source: Company, BP Equities Research

Cash Flows Statement					
YE March (Rs. Mn)	FY16	FY17	FY18	FY19E	FY20E
PAT	1,729.8	3,058.3	3,985.5	4,267.1	4,670.6
(Less)/Add: Extraordinary Income/Expense	0.0	0.0	0.0	0.0	0.0
Less: Non Operating Income	(2,521.6)	(2,211.3)	(1,777.2)	(1,777.2)	(1,777.2)
Add: Depreciation	524.7	547.1	624.5	723.4	835.9
Add: Interest Paid	0.0	27.8	0.0	0.0	0.0
Tax Adjustment	0.0	0.0	0.0	0.0	0.0
Operating Profit before Working Capital Changes	(267.1)	1,421.9	2,832.8	3,213.3	3,729.3
(Inc)/Dec in Current Assets	(137.1)	(1,139.8)	(1,075.8)	(351.6)	(702.0)
Inc/(Dec) in Current Liabilities	95.9	(57.2)	727.2	417.7	560.0
Changes in Inventory	(187.6)	408.1	(424.9)	(46.5)	(197.6)
Net Cash Generated From Operations	(495.9)	633.1	2,059.2	3,232.8	3,389.7
Cash Flow from Investing Activities					
(Inc)/Dec in Fixed Assets	(611.6)	(626.8)	(800.0)	(1,500.0)	(1,500.0)
(Inc)/Dec in Capital Work In Progress	(150.8)	(485.3)	0.0	0.0	0.0
(Inc)/Dec in Investment (Strategic)	(124.6)	127.6	4.0	0.0	0.0
(Inc)/Dec in Investment (Others)	171.5	199.0	(36.2)	0.0	0.0
Add: Non Operating Income	2,521.6	2,211.3	1,777.2	1,777.2	1,777.2
(Inc)/Dec in Intangible Assets	0.0	0.0	0.0	0.0	0.0
Net Cash Flow from/(used in) Investing Activities	1,806.1	1,425.8	945.0	277.2	277.2
Cash Flow from Financing Activities					
Inc/(Dec) in Total Loans	(12.1)	(9.0)	0.0	0.0	0.0
Inc/(Dec) in Reserves & Surplus	(0.0)	(8,388.9)	0.0	0.0	0.0
Inc/(Dec) in Equity	0.0	(348.1)	1,244.3	0.0	0.0
Dividend Paid	(1,013.1)	(801.5)	(1,134.0)	(1,407.7)	(1,558.0)
Less: Interest Paid	0.0	(27.8)	0.0	0.0	0.0
Adjustments	(82.9)	(73.3)	(13.6)	(0.0)	(0.0)
Exceptional Item	0.0	0.0	0.0	0.0	0.0
Net Cash Flow from Financing Activities	(1,108.2)	(9,648.6)	96.7	(1,407.7)	(1,558.0)
Net Inc/Dec in cash equivalents	202.1	(7,589.7)	3,101.0	2,102.3	2,108.9
Opening Balance	28,298.9	28,501.0	20,911.3	24,012.2	26,114.6
Closing Balance Cash and Cash Equivalents	28,501.0	20,911.3	24,012.2	26,114.6	28,223.4

Source: Company, BP Equities Research



Balance Sheet					
YE March(Rs. mn)	FY16	FY17	FY18	FY19E	FY20E
Liabilities					
Equity Capital	1,680	1,332	2,576	2,576	2,576
Reserves & Surplus	32,854	26,722	29,573	32,432	35,545
Equity	34,534	28,054	32,149	35,009	38,121
Net Worth	34,534	28,054	32,149	35,009	38,121
Minority Interest					
Net Deferred tax liability/(Asset)	201	192	192	192	192
Total Loans	0	0	0	0	0
Capital Employed	34,734	28,245	32,341	35,200	38,313
Assets					
Gross Block	6,719	7,346	8,146	9,646	11,146
Less: Depreciation	3,610	4,084	4,695	5,418	6,254
Net Block	3,109	3,262	3,451	4,228	4,892
Capital WIP	676	1,162	1,162	1,162	1,162
Investments	663	464	500	500	500
Others	134	6	2	2	2
Current Assets					
Inventories	1,630	1,222	1,647	1,693	1,891
Sundry Debtors	1,420	2,413	3,252	3,343	3,734
Cash and Bank Balance	28,501	20,911	24,012	26,115	28,223
Loans and Advances	38	52	69	71	79
Other Current Assets	1,109	1,243	1,462	1,720	2,024
Total Current Assets	32,698	25,840	30,442	32,942	35,951
Less:Current Liabilities & Provisions					
Sundry Creditors	253	417	807	830	927
Provisions	746	409	443	481	521
Other Current Liabilities	1,546	1,663	1,965	2,323	2,745
Total Current Liabilities & Provisions	2,546	2,488	3,216	3,633	4,193
Capital Applied	34,734	28,245	32,341	35,200	38,313

Source: Company, BP Equities Research

Key Ratios					
YE March (Rs. mn)	FY16	FY17	FY18	FY19E	FY20E
Key Operating Ratios					
EBITDA Margin (%)	11.2%	30.4%	37.7%	39.1%	39.7%
Tax / PBT (%)	36.0%	33.8%	34.9%	33.0%	33.0%
Net Profit Margin (%)	27.5%	31.1%	30.2%	31.4%	30.7%
RoE (%)	5.1%	9.8%	13.2%	12.7%	12.8%
RoCE (%)	0.5%	8.8%	13.6%	13.2%	13.7%
Current Ratio (x)	12.8x	10.4x	9.5x	9.1x	8.6x
Dividend Payout (%)	58.6%	58.6%	58.6%	58.6%	58.6%
Book Value Per Share (Rs.)	134.1	108.9	124.8	135.9	148.0
Financial Leverage Ratios					
Debt/ Equity (x)	0.0x	0.0x	0.0x	0.0x	0.0x
Interest Coverage (x)	0.0x	107.4x	0.0x	0.0x	0.0x
Growth Indicators %					
Growth in Gross Block (%)	10.0%	9.3%	10.9%	18.4%	15.6%
Sales Growth (%)	(23.6%)	56.2%	34.3%	3.2%	11.7%
EBITDA Growth (%)	(81.4%)	322.7%	66.5%	7.0%	13.4%
Net Profit Growth (%)	(59.6%)	76.8%	30.3%	7.1%	9.5%
Diluted EPS Growth (%)	(59.6%)	76.8%	30.3%	7.1%	9.5%
Turnover Ratios					
Debtors Days	82	90	90	90	90
Creditors Days	15	22	22	22	22
Inventory Days	95	45	45	45	45

Source: Company, BP Equities Research

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