

MOIL : Cash Rich Company, Excellent, Must subscribe IPO Note: Zero Debt, Largest Manganese Ore Producer Rating*****

Issue details

IPO Opening Date	26/11/10
IPO Closing Date	01/12/10
Issue Size	Rs.1142.40-1260 Cr
Issue Price	Rs. 340 - Rs. 375

Valuations & Recommendation

Being the largest producer, MOIL is advantageously placed in the sector. The India growth story has demand for manganese ore. It is likely to increase in the years to come. There are no companies listed in this sector, which can be strictly compared to MOIL. However, NMDC and Sea Goa are the nearest ones. At Rs 340-375, the issue is attractively priced. MOIL's TTM EPS works out to Rs 35.5. At the price band of Rs 340 to Rs 375, P/E is 9.6 to 10.6 times. Sandur Manganese and Iron Ore Company are trading at a TTM PE of 9.9.

The immediate user industry, ferro alloy is trading at TTM PE of 9.9, while the ultimate user industry steel is trading at average TTM PE of 10.7. Coal India, mining coal is trading at a TTM PE of 19.9. NMDC, mining iron ore is trading at TTM PE of 21.5. The prospects of the company are good. Besides being debt-free, cash and bank balance were Rs 1762.88 crore in September 2010. **Looking at all factors, We strongly recommend to subscribe in this issue for the portfolio pick.** Also, it holds Mini - Ratna status.

Highlights

- ◆ **MOIL is the largest producer of manganese ore, accounting for 50% of the total ore produced in the country with access to significant reserves**
- ◆ **CARE Research foresees the domestic manganese ore demand to grow at a CAGR of about 9% during the next 2-3 years and reach levels of 4.1 million TPA by FY12**
- ◆ **MOIL's TTM EPS works out to Rs 35.5. At the price band of Rs 340 to Rs 375, P/E is 9.6 to 10.6 times.**
- ◆ **Cash and bank balance were Rs 1762.88 crore in September 2010**
- ◆ **Zero debt company**

Company Introduction

BUSINESS AND BACKGROUND:

MOIL is the largest producer of manganese ore, accounting for 50% of the total ore produced in the country. MOIL, the largest producer of manganese ore by volume in India, is owned by the government of India (86.1%), government of Maharashtra (9.6%) and government of Madhya Pradesh (8.8%). The company produced 13,64,575 tonnes, 11,75,318 tonnes, 10,93,363 tonnes and 5,16,749 tonnes of manganese ore in the fiscal ended March 2008 (FY 2008), FY 2009, FY 2010 and six months ended September 2010, respectively. The company has long operating history of mining manganese ore in the country for more than four decades.

Use of Manganese ore

Manganese ore is primarily used to make ferro-alloys for steel production. Manganese is the fourth most used metal after iron, aluminum and copper. It improves the strength, toughness, hardness



Financial Summary

Particulars	0903 (12)	1003 (12)	1009 (6)
Sales	1293.34	969.40	635.05
OPM (%)	71.1	62.1	70.3
Net Profit	663.79	466.35	330.72
EPS (Rs)*	41.1	27.7	39.5

* annualised

RANKING METHODOLOGY

WEAK	*
AVERAGE	**
GOOD	***
VERY GOOD	****
EXCELLENT	*****

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and workability of steel.

Outlook of Manganese ore:

With the expectations of robust growth in the domestic steel production, CARE Research foresees, demand for manganese ore is likely to increase during the next few years. CARE Research foresees the domestic manganese ore demand to grow at a CAGR of about 9% during the next 2-3 years and reach levels of 4.1 million TPA by FY12. The rising requirement of ferro alloy products for the steel and other metal-producing industries are likely to be the prime reason for a growth in the domestic demand for manganese ore.

Domestic demand-supply scenario in India

Demand for manganese ore and ferro alloys has increased considerably due to the increase in the production of steel. According to the National Steel Policy, projected steel production is likely to double within a decade's time. There is likely to be a huge demand gap between the availability and requirement of ferro alloys if the production of ferro alloys fails to match the growth in production of steel. Slower pace in the development of new mines as against the robust demand from the steel industry has already pushed India in becoming a net importer of manganese ore in the last 3 years.

EXPANSION

To expand its value-added production capacity, MOIL has entered into a 50:50 joint venture (JV) with Sail for setting up a ferro alloy plant of 1.06 lakh tpa capacity, comprising 31,000 tonnes of ferro manganese and 75,000 tonnes of silico manganese, at Nandini, near Bhilai in Chhattisgarh. The company has entered into another 50:50 JV with Rashtriya Ispat Nigam (RINL) for setting up a ferro alloys plant of 57,500 tpa capacity, comprising 20,000 tonnes of ferro manganese and 37,500 tonnes of silico manganese in the Bobbili Vizag district of Andhra Pradesh. Both projects are to be completed within 24 months.

MOIL also owns two wind farms, with aggregate capacity of 20.0 MW, at Nagda hills and Ratedi hills near Dewas in Madhya Pradesh.