



Farsight

MORNING FARSIGHT

Tuesday, August 14, 2018

GMDC

CMP:RS 119

TRGT:RS 140

TIME HORIZON: 1 YEAR

GMDC, India's second largest Lignite producer and the country's largest merchant seller of lignite, with 6 open cast lignite mines, with an aggregate annual capacity of 88 lakh MT, 2 bauxite mines, 250 MW thermal power project in Kutch and 201 MW of Wind power projects, has posted excellent earnings for Q1FY19, with PAT rising to Rs 187 cr from Rs 100cr QoQ and Rs 142 cr YoY, a growth of 87% QoQ and Rs 32% YoY, with Q1FY19 EPS of Rs 5.87, which was at Rs 13.67 for FY18. Segment wise, Mining segment has seen EBIT growth of 79%QoQ / 40%YoY at Rs 196 cr with EBIT margin of 35.7% (27.9% in the same quarter last year), while Power Division EBIT has almost doubled to Rs 48.5 cr from Rs 23.7. Company has taken price hikes in Q1FY19 and realizations are expected to remain strong in the coming quarters, as with continued price rise in Coal & Pet Coke, discount between imported coal and lignite is now 23%, and hence the case for a price increase remains. Stock is trading at PE of just 6.2x on an estimated EPS of Rs 19 for FY19. Further, company has Cash Equivalents of Rs 1,120 cr (Rs 35 per share) and also holds 41.45 lakh shares in Gujarat Alkalies and 50 lakh shares in GSFC, which is worth Rs 230 cr at current prices or Rs 7 per share. Share ruling at Rs 119 can move to Rs 140 in 1 year. Buy as an investor.

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POTENTIAL CONFLICT OF INTEREST DISCLOSURE (as on date of report)

Disclosure of interest statement – • Analyst interest of the stock /Instrument(s): - No. • Firm interest of the stock / Instrument (s): - No.