

<b>INDUSTRY</b>	<b>MINING</b>
<b>CMP (as on 15 May 17)</b>	<b>Rs 134</b>
<b>Target Price</b>	<b>Rs 160</b>
Nifty	9,445
Sensex	30,322

**KEY STOCK DATA**

Bloomberg	GMDC IN
No. of Shares (mn)	318
MCap (Rs bn) / (\$ mn)	42/662
6m avg traded value (Rs mn)	91

**STOCK PERFORMANCE (%)**

<b>52 Week high / low</b>	<b>Rs 145 / 65</b>
	3M 6M 12M
Absolute (%)	21.1 35.2 97.4
Relative (%)	13.4 19.9 78.5

**SHAREHOLDING PATTERN (%)**

Promoters	74.00
FIs & Local MFs	11.44
FPIs	3.53
Public & Others	11.03

Source : BSE

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## Proof of pudding

GMDC numbers were ahead of estimates (EBITDA: Rs 1.48bn vs est Rs 1.03bn, ~2x YoY). This was driven mainly by lower mining costs (Rs471/t, 13.5% YoY, -33.6% QoQ), partly due to Panandhro returning to production. We expect mining costs to harden going ahead since Panandhro will likely not contribute beyond 1HFY18. Strong production volumes (2.6 mTPA, 30.8% YoY) were in line vs estimates.

**The key takeaway of 4QFY17 nos is the ramp up of production from Mata-no-Madh, which delivered 1.07 mt (vs 1.37 mT in all of FY16).** This is likely driven by strong demand from cement and power and underscores the ability of GMDC to ramp up its volumes if demand is strong. Lowering of levies under GST will ensure that GMDC's lignite remains competitive, which in turn will ensure strong demand. We have increased our volume assumptions (pg. 4). Our TP is now raised to 160 (6x FY19 EV/EBITDA vs 5x earlier)

### Financial Summary (Standalone)

(Rs mn)	4QFY17	4QFY16	YoY(%)	3QFY17	QoQ(%)	FY15	FY16	FY17E	FY18E	FY19E
Net Sales	5,255	3,532	48.8	3,703	41.9	14,188	11,787	15,367	19,420	21,714
EBITDA	1,486	687	116.2	662	124.6	5,438	2,997	4,196	5,137	6,194
PAT	900	395	127.6	465	93.4	3,911	2,246	3,242	3,878	4,743
Diluted EPS (Rs)	2.83	1.24	127.6	1.46	93.4	12.3	7.1	10.2	12.2	14.9
P/E (x)						10.9	18.9	13.1	11.0	9.0
EV / EBITDA (x)						6.1	9.8	7.6	5.9	4.3
RoE (%)						12.8	6.5	8.5	9.4	10.7

Source: Company, HDFC sec Inst Research

### Highlights of the quarter

- Contribution from Akrimota TPP remained stable, with 64% PLF in 4QFY17. Given this is sluggish season, wind power PLF declined to 25%, however on a higher base due to commissioning of 50 MW in 3QFY17. In lignite division, the pricing enjoyed by Bhavanagar declined marginally as the supplies of high grade lignite to BECL likely declined in 4QFY17. Mata-no-madh also supplied to Akrimota TPS, in addition to volumes from Umarsar and Panandhro.
- Near-term outlook:** We expect GMDC to continue its strong volume run, which will be further aided once the new GST rates are notified. This will further be aided by continued strengthening in pet-coke prices, which will aid demand from cement and other industries running captive plants on pet-coke. Also, wind generation activity picks in 1H, further aiding PLFs for the installed capacity of 200MW.

*Beat was driven by lower mining costs, we expect these to harden as Panandhro goes out of production in 2HFY18*

*Mining performance was driven by strong volumes, while higher operational capacity in renewables drove power PBIT.*

### Quarterly Financials Snapshot

(Rs mn)	4QFY17	4QFY16	YoY(%)	3QFY17	QoQ(%)
<b>Net Sales</b>	<b>5,255</b>	<b>3,532</b>	<b>48.8</b>	<b>3,703</b>	<b>41.9</b>
Mining	4,865	2,931	66.0	3,257	49.4
Power	1,170	1,244	(5.9)	1,021	14.6
Employee costs	234	227	3.2	266	(12.0)
Mining Costs	1,370	1,074	27.6	1,477	(7.3)
Royalty and Cess	1,364	789	72.9	948	43.9
Other Operating Expenses	801	755	6.1	350	128.8
<b>EBITDA</b>	<b>1,486</b>	<b>687</b>	<b>116.2</b>	<b>662</b>	<b>124.6</b>
Other Income	279	354	(21.2)	446	(37.5)
Interest Cost	4	3	38.2	4	1.7
Depreciation	435	380	14.5	424	2.7
PBT	1,325	658	101.4	680	95.0
Tax	425	263	61.9	214	98.6
<b>APAT</b>	<b>900</b>	<b>395</b>	<b>127.6</b>	<b>465</b>	<b>93.4</b>
E/o (adj for tax)	0	0	NM	0	NM
<b>RPAT</b>	<b>900</b>	<b>395</b>	<b>127.6</b>	<b>465</b>	<b>93.4</b>

Source: Company, HDFC sec Inst Research

Note: NM: Not Meaningful

### Segmental Information

(Rs mn)	4QFY17	4QFY16	YoY (%)	3QFY17	QoQ (%)
<b>Revenues</b>					
Mining	4,865	2,931	66.0	3,257	49.4
Power	1,170	1,244	(5.9)	1,021	14.6
<b>PBIT</b>					
Mining	888	724	22.7	443	100.6
Power	69	(37)	NM	(78)	NM
<b>PBIDT</b>					
Mining	983	731	34.4	531	85.3
Power	395	336	17.8	255	54.8
<b>Per unit profitability</b>					
Mining (Rs/t)	372	362	2.8	288	29.2
Power (Rs/kWh)	0.92	0.80	14.8	0.63	45.2

**Strong volume from Mata-no-madh, which also supplied to Akrimota TPS during 4QFY17.**

**Realisations largely flattish during the quarter**

**Mining costs declined sharply QoQ as Panandhro (lower cost) contributed to volumes.**

## Operational Data

Operational Data	4QFY17	4QFY16	YoY(%)	3QFY17	QoQ(%)
<b>Lignite Volumes (mnT)</b>	<b>2.6</b>	<b>2.0</b>	<b>30.8</b>	<b>1.8</b>	<b>43.5</b>
Panandhro	0.18	0.83	(78.3)	-	
Mata No Madh	1.07	0.47		0.55	
Rajpardi	0.40	0.04		0.17	
Tadkeshwar	0.48	0.17		0.38	
Bhavnagar	0.17	0.25		0.12	
Umarsar	0.35	0.26		0.61	
<b>Lignite realisations (Rs/T)</b>	<b>1,827</b>	<b>1,442</b>	<b>26.7</b>	<b>1,829</b>	<b>(0.1)</b>
Panandhro	1,498	1,162		N/A	
Mata No Madh	1,730	1,661		1,788	
Rajpardi	2,393	2,638		2,508	
Tadkeshwar	1,784	1,588		1,839	
Bhavnagar	1,941	1,563		2,325	
Umarsar	1,650	1,555		1,573	
<b>Power volumes (mn Kwh)</b>	<b>431</b>	<b>420</b>	<b>2.6</b>	<b>405</b>	<b>6.6</b>
Thermal (PLF%)	64%	68%		65%	
Wind (PLF%)	19%	15%		10%	
Solar (PLF%)	21%	21%		15%	
<b>Power unit prices (Rs/kWh)</b>					
Thermal	2.28	2.10	9.0	2.26	1.0
Wind	4.31	3.60	19.7	3.78	14.0
Solar	(20.23)	14.39	(240.5)	18.18	(211.2)
<b>Mining costs</b>					
Mining - Direct costs	471	415	13.5	710	(33.6)
Royalty & Dead Rent	116	130	(10.7)	114	1.8
Mine Closure Exp	47	116	(59.4)	93	(49.5)
Clean energy cess	401	261	53.4	402	(0.2)
Other operational charges	190	134	42.0	102	87.4

Source: Company, HDFC sec Inst Research

### Key Assumptions

	FY15	FY16	FY17	FY18E	FY19E
Lignite production (mT)	8.71	6.98	7.65	9.41	9.71
Lignite realisations (Rs/T)	1,349	1,378	1,750	1,801	1,890
PLF for Akrimota Power plant	62%	65%	64%	65%	65%
Power units (mn kWh)	1,658	1,745	1,774	1,784	1,981
Power blended realisations (Rs/kWh)	1.98	2.05	2.05	2.10	2.10

Source: Company, HDFC sec Inst Research

### Comparative valuations

Company	MCap (Rs bn)	CMP (Rs)	TP (Rs)	Reco	P/E (x)		EV/EBITDA (x)		RoE (%)	
					FY18E	FY19E	FY18E	FY19E	FY18E	FY19E
Coal India	1,724	278	341	BUY	12.4	10.2	6.1	4.9	52.1	62.6
MOIL	44	327	445	BUY	13.0	7.2	5.2	2.0	11.4	18.0
<b>GMDC</b>	<b>43</b>	<b>134</b>	<b>160</b>	<b>BUY</b>	<b>11.0</b>	<b>9.0</b>	<b>5.9</b>	<b>4.3</b>	<b>9.4</b>	<b>10.7</b>

Source: Company, Bloomberg, HDFC sec Inst Research

### Changes to estimates

	Old		New		% Change	
	FY18E	FY19E	FY18E	FY19E	FY18E	FY19E
Lignite production (mT)	8.7	9.2	9.4	9.7	8.2	5.5
Realisations (Rs/T)	1,856	1,884	1,801	1,890	(3.0)	0.3
Power units (mnKWh)	1,784	1,981	1,784	1,981	(0.0)	0.0
Revenues (Rsmn)	18,476	20,625	19,420	21,714	5.1	5.3
EBITDA (Rsmn)	4,815	5,759	5,137	6,194	6.7	7.6
PAT (Rsmn)	3,589	4,405	3,878	4,743	8.0	7.7

Source: HDFC sec Inst Research

*We have revised our volume estimates marginally higher*

## Income Statement

Year ending March (Rs mn)	FY15	FY16	FY17	FY18E	FY19E
<b>Net Revenues</b>	<b>14,188</b>	<b>11,787</b>	<b>15,367</b>	<b>19,420</b>	<b>21,714</b>
<b>Growth %</b>	<b>10.0</b>	<b>(16.9)</b>	<b>30.4</b>	<b>26.4</b>	<b>11.8</b>
Mining expenses	4,733	3,628	4,463	6,113	6,842
Royalty and clean energy cess	655	586	812	1,186	1,285
Employee expenses	964	1,055	1,040	1,287	1,480
Other operating expenses	2,620	3,521	4,855	5,930	6,158
<b>Operating profits</b>	<b>5,216</b>	<b>2,997</b>	<b>4,196</b>	<b>4,904</b>	<b>5,948</b>
<b>Operating Profit Margin (%)</b>	<b>36.8</b>	<b>25.4</b>	<b>27.3</b>	<b>25.2</b>	<b>27.4</b>
Other operating income*	223	0	0	234	245
<b>EBITDA</b>	<b>5,438</b>	<b>2,997</b>	<b>4,196</b>	<b>5,137</b>	<b>6,194</b>
<b>EBITDA %</b>	<b>38.3</b>	<b>25.4</b>	<b>27.3</b>	<b>26.5</b>	<b>28.5</b>
<b>EBITDA Growth %</b>	<b>(16.9)</b>	<b>(44.9)</b>	<b>40.0</b>	<b>22.4</b>	<b>20.6</b>
Depreciation	1,373	1,307	1,513	1,384	1,447
<b>EBIT</b>	<b>4,066</b>	<b>1,690</b>	<b>2,683</b>	<b>3,754</b>	<b>4,747</b>
Other Income (including EO items)	2,309	1,506	1,790	1,558	1,750
Interest	17	11	13	0	0
<b>PBT</b>	<b>6,358</b>	<b>3,185</b>	<b>4,460</b>	<b>5,312</b>	<b>6,497</b>
Tax	1,355	939	1,218	1,434	1,754
<b>RPAT</b>	<b>5,003</b>	<b>2,246</b>	<b>3,242</b>	<b>3,878</b>	<b>4,743</b>
EO (Loss) / Profit (Net Of Tax)	1,092	-	-	-	-
<b>APAT</b>	<b>3,911</b>	<b>2,246</b>	<b>3,242</b>	<b>3,878</b>	<b>4,743</b>
<b>APAT Growth (%)</b>	<b>(10.9)</b>	<b>(42.6)</b>	<b>44.4</b>	<b>19.6</b>	<b>22.3</b>
<b>Adjusted EPS (Rs.)</b>	<b>12.3</b>	<b>7.1</b>	<b>10.2</b>	<b>12.2</b>	<b>14.9</b>
<b>EPS Growth (%)</b>	<b>(10.9)</b>	<b>(42.6)</b>	<b>44.4</b>	<b>19.6</b>	<b>22.3</b>

Source: Company, HDFC sec Inst Research

Note: Other operating income not reported separately in FY17. Estimates to be updated post annual report.

## Balance Sheet

As at December (Rs mn)	FY15	FY16	FY17	FY18E	FY19E
<b>SOURCES OF FUNDS</b>					
Share Capital	636	636	636	636	636
Reserves	31,781	36,005	39,119	41,848	45,443
<b>Total Shareholders Funds</b>	<b>32,417</b>	<b>36,641</b>	<b>39,755</b>	<b>42,484</b>	<b>46,079</b>
Long Term Debt	0	285	188	0	0
Short Term Debt	0	1,092	2,708	0	0
<b>Total Debt</b>	<b>0</b>	<b>1,377</b>	<b>2,896</b>	<b>0</b>	<b>0</b>
Deferred Taxes	2,079	1,829	2,232	2,232	2,232
Long Term Provisions & Others	4,207	3,760	4,265	4,265	4,265
<b>TOTAL SOURCES OF FUNDS</b>	<b>38,703</b>	<b>43,607</b>	<b>49,148</b>	<b>48,981</b>	<b>52,576</b>
<b>APPLICATION OF FUNDS</b>					
Net Block	17,562	17,907	20,727	20,844	20,897
CWIP	745	366	255	256	256
Investments	2,989	5,704	6,575	6,575	6,575
LT Loans and Advances	7,447	5,298	6,357	6,357	6,357
<b>Total Non-current Assets</b>	<b>28,743</b>	<b>29,275</b>	<b>33,914</b>	<b>34,031</b>	<b>34,085</b>
Inventories	521	435	688	733	861
Debtors	811	974	1,265	1,070	1,012
Other Current Assets	905	1,444	1,276	1,274	1,274
Cash & Equivalents	10,838	14,565	13,744	13,708	17,121
<b>Total Current Assets</b>	<b>13,075</b>	<b>17,418</b>	<b>16,974</b>	<b>16,785</b>	<b>20,269</b>
Creditors	515	681	974	1,070	1,012
Other Current Liabilities & Provns	2,603	2,405	766	766	766
<b>Total Current Liabilities</b>	<b>3,118</b>	<b>3,086</b>	<b>1,739</b>	<b>1,836</b>	<b>1,778</b>
<b>Net Current Assets</b>	<b>9,957</b>	<b>14,332</b>	<b>15,235</b>	<b>14,950</b>	<b>18,491</b>
<b>TOTAL APPLICATION OF FUNDS</b>	<b>38,700</b>	<b>43,607</b>	<b>49,149</b>	<b>48,981</b>	<b>52,576</b>

Source: Company, HDFC sec Inst Research

## Cash Flow

Year ending March (Rs mn)	FY15	FY16	FY17E	FY18E	FY19E
Reported PBT	6,358	3,185	4,460	5,312	6,497
Non-operating & EO items	(2,309)	(1,506)	(1,790)	(1,558)	(1,750)
Interest expenses	17	11	13	0	0
Depreciation	1,373	1,307	1,513	1,384	1,447
Working Capital Change	(3,893)	648	(1,311)	247	(128)
Tax paid	(2,177)	(1,585)	(1,218)	(1,434)	(1,754)
<b>OPERATING CASH FLOW ( a )</b>	<b>(631)</b>	<b>2,060</b>	<b>1,667</b>	<b>3,950</b>	<b>4,311</b>
Capex	(551)	1,189	(4,222)	(1,500)	(1,500)
Free cash flow (FCF)	(1,181)	3,249	(2,555)	2,450	2,811
Investments	(386)	(315)	(871)	0	0
Non-operating Income	1,217	1,506	1,790	1,558	1,750
<b>INVESTING CASH FLOW ( b )</b>	<b>281</b>	<b>2,380</b>	<b>(3,303)</b>	<b>58</b>	<b>250</b>
Debt Issuance/(Repaid)	0	1,377	1,520	(2,896)	0
Interest expenses	(17)	(11)	(13)	0	0
FCFE	(1,198)	4,615	(1,049)	(446)	2,811
Share Capital Issuance	0	0	0	0	0
Dividend	(1,148)	(1,148)	(1,148)	(1,148)	(1,148)
<b>FINANCING CASH FLOW ( c )</b>	<b>(1,165)</b>	<b>218</b>	<b>358</b>	<b>(4,045)</b>	<b>(1,148)</b>
<b>NET CASH FLOW (a+b+c)</b>	<b>(1,515)</b>	<b>4,658</b>	<b>(1,278)</b>	<b>(36)</b>	<b>3,413</b>
EO Items/Others	1,451	(931)	457	-	-
Closing Cash & Equivalents	10,838	14,565	13,744	13,708	17,121

Source: Company, HDFC sec Inst Research

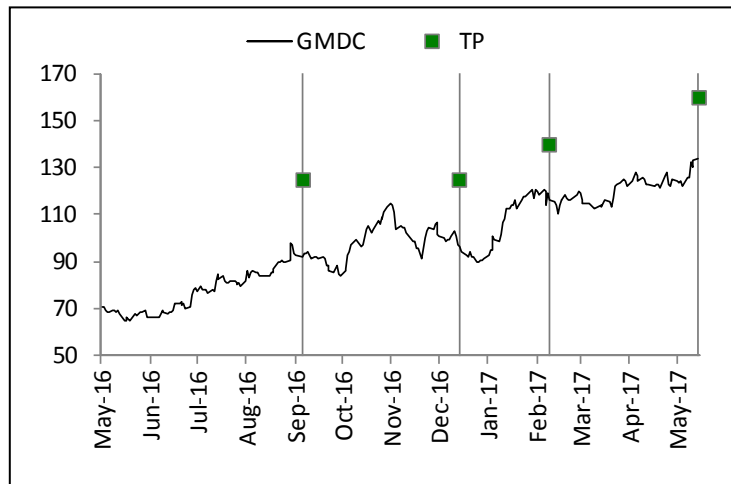
## Key Ratios

	FY15	FY16	FY17E	FY18E	FY19E
<b>PROFITABILITY (%)</b>					
EBITDA Margin	38.3	25.4	27.3	26.5	28.5
APAT Margin	27.6	19.1	21.1	20.0	21.8
RoE	12.8	6.5	8.5	9.4	10.7
Core RoCE	20.9	9.6	12.6	13.0	15.0
RoCE	13.6	6.5	8.5	9.4	10.7
<b>EFFICIENCY</b>					
Tax Rate (%)	21.3	29.5	27.3	27.0	27.0
Asset Turnover (x)	0.5	0.4	0.4	0.5	0.6
Inventory (days)	13	15	13	13	13
Debtors (days)	17	27	26	22	17
Payables (days)	15	19	20	19	18
Cash Conversion Cycle (days)	15	23	20	16	13
Debt/EBITDA (x)	0.0	0.5	0.7	-	-
Net D/E	(0.33)	(0.36)	(0.27)	(0.32)	(0.37)
Interest Coverage	309.4	283.3	315.6	NM	NM
<b>PER SHARE DATA</b>					
EPS (Rs/sh)	12.3	7.1	10.2	12.2	14.9
CEPS (Rs/sh)	20.1	11.2	15.0	16.5	19.5
DPS (Rs/sh)	3.0	3.0	3.0	3.0	3.0
BV (Rs/sh)	101.9	115.2	125.0	133.6	144.9
<b>VALUATION</b>					
P/E	10.9	18.9	13.1	11.0	9.0
P/BV	1.3	1.2	1.1	1.0	0.9
EV/EBITDA	6.1	9.8	7.6	5.9	4.3
OCF/EV (%)	(2.0%)	6.5%	5.7%	12.5%	14.9%
FCF/EV (%)	(3.7%)	10.2%	(8.7%)	7.7%	9.7%
FCFE/Market Cap (%)	(2.8%)	10.8%	(2.5%)	(1.0%)	6.6%
Dividend Yield (%)	2.2	2.2	2.2	2.2	2.2

Source: Company, HDFC sec Inst Research

Note: NM: Not Meaningful

## RECOMMENDATION HISTORY



Date	CMP	Reco	Target
7-Sep-16	93	BUY	125
15-Dec-16	97	BUY	125
10-Feb-17	116	BUY	140
15-May-17	134	BUY	160

### Rating Definitions

**BUY** : Where the stock is expected to deliver more than 10% returns over the next 12 month period  
**NEUTRAL** : Where the stock is expected to deliver (-)10% to 10% returns over the next 12 month period  
**SELL** : Where the stock is expected to deliver less than (-)10% returns over the next 12 month period

**Disclosure:**

We, **Ankur Kulshrestha, PGDBM & Meera Midha, IDM**, authors and the names subscribed to this report, hereby certify that all of the views expressed in this research report accurately reflect our views about the subject issuer(s) or securities. HSL has no material adverse disciplinary history as on the date of publication of this report. We also certify that no part of our compensation was, is, or will be directly or indirectly related to the specific recommendation(s) or view(s) in this report.

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Rating Information	
Price (Rs)	130
Target Price (Rs)	150
Target Date	30th Jun'18
Target Set On	12th May'17
Implied yrs of growth (DCF)	5
Fair Value (DCF)	150
Fair Value (DDM)	39
Ind Benchmark	BSE METL
Model Portfolio Position	LONG

Stock Information	
Market Cap (Rs Mn)	41,483
Free Float (%)	26.00 %
52 Wk H/L (Rs)	145/64.55
Avg Daily Volume (1yr)	7,91,081
Avg Daily Value (Rs Mn)	77
Equity Cap (Rs Mn)	636
Face Value (Rs)	2
Bloomberg Code	GMDC IN

Ownership	Recent	3M	12M
Promoters	74.0 %	0.0 %	0.0 %
DII	11.4 %	0.7 %	-2.0 %
FII	3.5 %	0.3 %	1.2 %
Public	11.0 %	-1.0 %	0.8 %

Price %	1M	3M	12M
Absolute	4.3 %	12.5 %	91.4 %
Vs Industry	10.2 %	17.7 %	45.7 %
Coal India	-5.1 %	-15.5 %	-3.4 %
Neyveli Lig	-1.2 %	8.2 %	53.6 %

Consolidated Quarterly EPS forecast				
Rs/Share	1Q	2Q	3Q	4Q
EPS (17A)	3.6	2.3	1.5	2.8
EPS (18E)	3.3	1.7	2.3	3.3

# GMDC Ltd.

4QFY17 Result : Estimate(↑), TP(↑), Rating(↔)

Regular Coverage

Volume growth to remain robust, GST strong trigger for pricing, maintain LONG

Absolute : LONG

Relative : OVERWEIGHT

18% Upside in 14 months

Metals & Mining

GMDC posted strong numbers during 4Q with 116% yoy EBITDA growth, which came 21% ahead of EE, driven by 31% yoy growth in lignite sales volume and corresponding benefit of operating leverage. Mine closure expenses declined 47% yoy as company has already completed full provisioning for Mata-no-Madh and Panandhro mines for the full mine life, so in FY18, it will decline yoy. Company continues to see good traction in volumes due to higher imported coal prices and yoy volume growth in even April month was strong 34%. We are increasing our FY18E volumes by 3% and now assume 12% yoy lignite volume growth in FY18E. GST remains key trigger for pricing as highlighted in our Mar'17 note. We maintain LONG with revised Jun'18 DCF based PT of Rs 150 (earlier Mar'18 PT of Rs 137).

**GST key trigger for price increase as Gujarat has 22.5% VAT on lignite vs. 5% VAT in other states:** Lignite has VAT of 22.5% in Gujarat, which is significantly higher than 5% duty on lignite or coal in other States. Most of the States charge VAT @5% & Excise duty is at 6%, so GST rate is likely to be low around 12% as government would not like to increase cost of power. GST rate @12%/18% will reduce landed cost of lignite to customers by Rs. 290/185, and give GMDC room to increase prices. We are not factoring the same in our pricing but that poses an upside to our estimates.

**Profitability to remain strong due to benefits of operating leverage in FY18E:** We believe that lignite EBITDA per ton will improve further in FY18E to ~Rs. 246 from ~Rs. 229 driven by 1) higher volumes will lead to better operating leverage, 2) mine closure expenses will decline yoy as company has already provided full for Panandhro and Mata no Madh mines, and 3) Panandhro will remain operational in 1HFY18, where overburden removal charges are low as mine is towards the end of its life. We have increased blended ASPs to reflect change in supplies to power plants from Panandhro to Mata-no-Madh, which has high cost lignite.

**EBITDA grew 116% yoy, 21% above EE due to high lignite profitability, other income lower due to lower yield on deposits:** EBITDA/ton on lignite was strong Rs 364 vs. Rs 226 last year and Rs. 162 in 3QFY17 as per our estimates. Improvement was mainly driven by higher volumes. Other income declined 21% yoy & 37% qoq as yield on cash has come down and also cash balance was lower due to capex of ~Rs. 5bn during the year towards wind (Rs 3bn) and land acquisition. Account receivables increased due to dues from BECL, but that's expected to normalize going ahead.

## Estimate Revision:

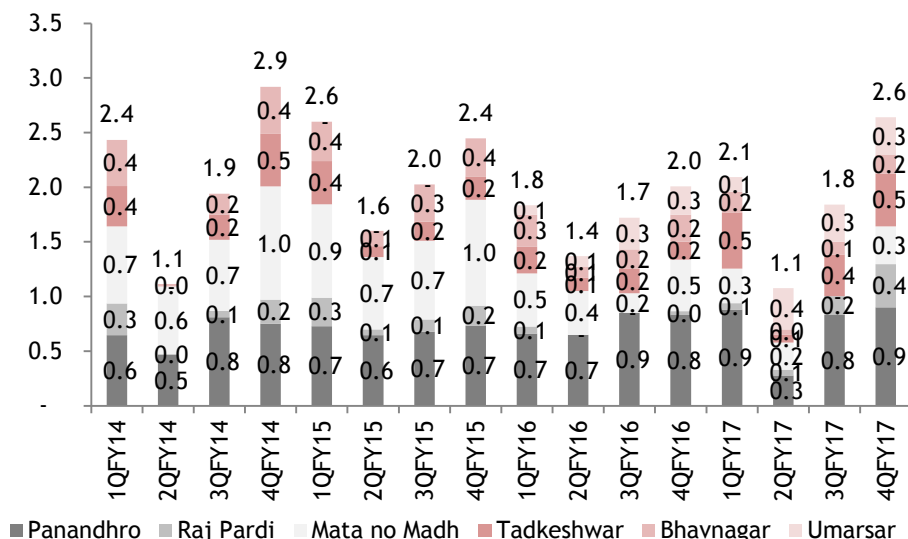
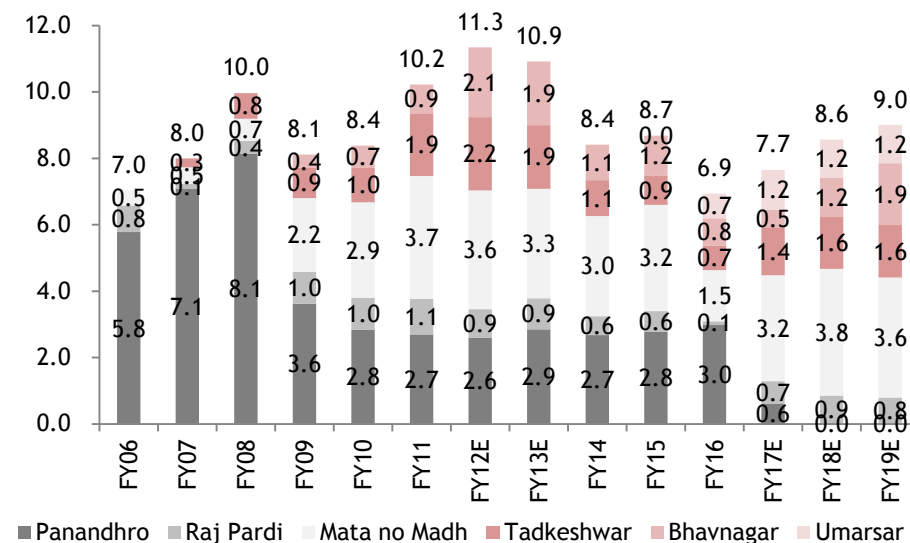
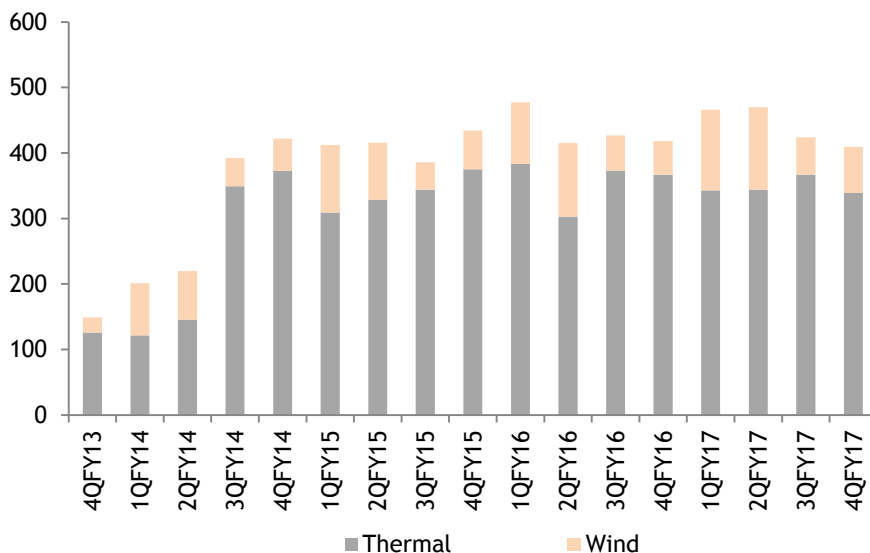
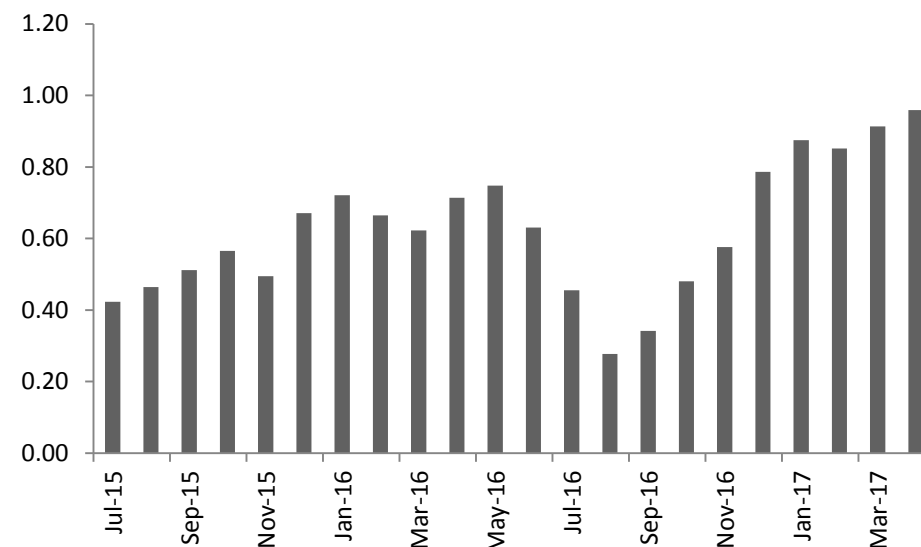
Rs Mn	Current		Change from previous (%)	
	FY18E	FY19E	FY18E	FY19E
Sales	18,155	19,230	12.7%	11.5%
EBITDA	5,075	5,351	9.2%	8.5%
PAT	3,367	3,685	1.5%	1.4%
EPS	10.6	11.6	1.5%	1.4%

## Consolidated Financials

Rs. Mn YE Mar	FY17A	FY18E	FY19E	FY20E
Sales	15,367	18,155	19,230	21,024
EBITDA	4,206	5,075	5,351	6,105
Depreciation	1,512	1,700	1,758	1,817
Interest Expense	13	0	0	0
Other Income	1,790	1,367	1,597	1,849
Reported PAT	3,583	3,367	3,685	4,357
Recurring PAT	3,253	3,367	3,685	4,357
Total Equity	39,077	41,104	43,258	46,084
Gross Debt	0	0	0	0
Cash	11,044	14,026	16,875	20,529
Rs Per Share	FY17A	FY18E	FY19E	FY20E
Earnings	10.2	10.6	11.6	13.7
Book Value	123	129	136	145
Dividends	3.0	3.5	4.0	4.0
FCFF	34.8	13.6	13.8	16.3
P/E (x)	12.8	12.3	11.3	9.5
P/B (x)	1.1	1.0	1.0	0.9
EV/EBITDA (x)	7.2	5.4	4.6	3.4
ROE (%)	9 %	8 %	9 %	10 %
Core ROIC (%)	6 %	8 %	9 %	11 %
EBITDA Margin (%)	27 %	28 %	28 %	29 %
Net Margin (%)	21 %	19 %	19 %	21 %

**Exhibit 01: Mine-wise Quarterly lignite production volumes**

Million tons


**Exhibit 03: Mine-wise Annual lignite production volumes (In million tons)**

**Exhibit 02: Quarterly thermal & wind power generation**

**Exhibit 04: Monthly volume trend**


Source: Company, Equirus Securities

## Quarterly Results Table

Rs Mn	4QFY17	4QFY17E	3QFY17	4QFY16	% Change			Comments
					4QFY17E	3QFY17	4QFY16	
Net Sales	5,255	4,611	3,703	3,532	14%	42%	49%	
(Increase)/Decrease in Stock	-124	0	-115	21	NA	7%	-702%	
Staff Cost	234	245	266	227	-4%	-12%	3%	
Royalty & Dead Rent	306	190	209	262	61%	46%	17%	
Power & Fuel	270	104	75	216	159%	261%	25%	
Other Expenses	3,083	2,848	2,607	2,119	8%	18%	45%	
<b>Total Expenditures</b>	<b>3,769</b>	<b>3,387</b>	<b>3,042</b>	<b>2,844</b>	<b>11%</b>	<b>24%</b>	<b>33%</b>	
<b>EBITDA</b>	<b>1,486</b>	<b>1,223</b>	<b>662</b>	<b>687</b>	<b>21%</b>	<b>125%</b>	<b>116%</b>	
Depreciation	435	409	424	380	7%	3%	14%	
<b>EBIT</b>	<b>1,050</b>	<b>815</b>	<b>237</b>	<b>307</b>	<b>29%</b>	<b>342%</b>	<b>242%</b>	
Interest	4	0	4	3	NA	2%	38%	
Other Income	279	394	446	354	-29%	-37%	-21%	
<b>PBT</b>	<b>1,325</b>	<b>1,209</b>	<b>680</b>	<b>658</b>	<b>10%</b>	<b>95%</b>	<b>101%</b>	
Tax	425	363	214	263	17%	99%	62%	
<b>Recurring PAT</b>	<b>900</b>	<b>846</b>	<b>465</b>	<b>395</b>	<b>6%</b>	<b>93%</b>	<b>128%</b>	
Extraordinaries	0	0	0	491				
<b>Reported PAT</b>	<b>900</b>	<b>846</b>	<b>465</b>	<b>-95</b>	<b>6%</b>	<b>93%</b>	<b>-1046%</b>	
EPS (Rs)	2.8	2.7	1.5	1.2	6%	93%	128%	
EBITDA Margin	28.3%	22.8%	17.9%	19.5%	546 bps	1041 bps	881 bps	
EBIT Margin	20.0%	11.9%	6.4%	8.7%	808 bps	1358 bps	1129 bps	
PBT Margin	25.2%	22.0%	18.3%	18.6%	325 bps	687 bps	659 bps	
PAT Margin	17.1%	15.6%	12.6%	-2.7%	153 bps	456 bps	1982 bps	
Tax Rate	32.1%	29.0%	31.5%	39.9%	308 bps	57 bps	-782 bps	
Cost as % Sales								
Raw Material	-2.4%	0.0%	-3.1%	0.6%	-235 bps	76 bps	-293 bps	
Employee Cost	4.5%	8.4%	7.2%	6.4%	-391 bps	-273 bps	-197 bps	
Other Expenses	58.7%	63.7%	70.4%	60.0%	-506 bps	-1172 bps	-135 bps	

Segment-wise Performance Rs million	4QFY17	4QFY17E	3QFY17	4QFY16	% Change			Comments
					4QFY17E	3QFY17	4QFY16	
Revenues								
Mining	4,865	4,127	3,257	3,039	18%	49%	60%	
Power	1,170	940	1,021	978	25%	15%	20%	
Un-allocable Corporate Revenue	0	0	0	0	NA	NA	NA	
Total Revenue	6,035	5,067	4,278	4,017	19%	41%	50%	
Segment Results								
Mining	888		443	410		101%	116%	
Power	69		-78	-65		-188%	-206%	
Un-allocable Corporate Results	90		-131	-41		-169%	-320%	
Total	1,047		234	304		348%	244%	
Less: Interest Paid	0		0	0				
Add: Others	267		212	332		26%	-20%	
PBT	1,313		446	636		195%	106%	

## Company Snapshot

### How we differ from Consensus

-		Equirus	Consensus	% Diff	Comment
EPS	FY18E	10.6	10.1	5 %	We are in-line with consensus
	FY19E	11.6	11.4	1 %	
Sales	FY18E	18,155	15,528	17 %	
	FY19E	19,230	17,241	12 %	
PAT	FY18E	3,367	3,225	4 %	
	FY19E	3,685	3,635	1 %	

### Key Drivers:

	FY16	FY17	FY18E	FY19E
Lignite Volumes (mn tons)	6.9	7.7	8.6	9.0
Panandhro	3.0	0.6	0.0	0.0
Rajpardi	0.1	0.7	0.9	0.8
Mata-no-Madh	1.5	3.2	3.8	3.6
Tadkeshwar	0.7	1.4	1.6	1.6
Bhavnagar	0.8	0.5	1.2	1.9
Umarsar	0.7	1.2	1.2	1.2
Bauxite Volume (mn tons)	0.2	0.4	0.5	0.5
Power units (mn units)	1,745	1,769	1,940	1,984

### Key Risk:

Delay in mine expansion remains the key risk for the company

### Key Triggers

Lignite selling price hike

Sensitivity to Key Variables	% Change	% Impact on EPS
Lignite volumes	1 %	1 %
Lignite prices	1 %	2 %
-	-	-

### DCF Valuations & Assumptions

Rf	Beta	Ke	Term. Growth	Debt/IC in Term. Yr
6.8 %	1.1	13.4 %	3.0 %	0.0 %

-	FY18E	FY19E	FY20-22E	FY23-27E	FY28-32E
Sales Growth	18 %	6 %	8 %	8 %	8 %
NOPAT Margin	13 %	13 %	13 %	13 %	13 %
IC Turnover	0.64	0.70	0.86	0.90	0.90
RoIC	8.3 %	9.1 %	11.6 %	12.2 %	12.2 %

Years of strong growth	1	2	5	10	15
Valuation as on date (Rs)	110	116	131	130	130
Valuation as of June'18	127	134	150	150	150

Our DCF based valuation suggests June'18 PT of Rs. 150.

### Company Description:

Gujarat Mineral Development Corporation Ltd (GMDC), Gujarat state PSU (74% owned) is India's second largest producer of lignite with production of 8.4 million tons in FY10. GMDC is primarily involved in mining and production of lignite, bauxite, fluorspar, manganese and power. Almost 90% of its profits come from lignite. As per 2009 Gujarat state mineral policy, all the bauxite resources in the state belong to GMDC, except the ones for which mining/prospecting lease was given earlier; this step was taken to foster value addition in the state. In the power segment, GMDC operates 250MW lignite based thermal power plant and 37.5MW wind power plants. Power is sold to state power utility with which it has long term PPA.

Comparable valuation			Mkt Cap Rs. Mn.	Price Target	Target Date	EPS			P/E			BPS		P/B		RoE		Div Yield	
Company	Reco.	CMP				FY17A	FY18E	FY19E	FY17A	FY18E	FY19E	FY17A	FY18E	FY17A	FY18E	FY17A	FY18E	FY19E	FY17A
GMDC	LONG	130	41,483	150	30th Jun'18	10.2	10.6	11.6	12.8	12.3	11.3	122.9	1.0	9 %	8 %	9 %	2.3 %	2.7 %	
Coal India	LONG	274	17,02,072	349	31st Mar' 18	22.9	16.2	22.6	12.0	16.9	12.1	53.7	7.1	38 %	35 %	67 %	10.0 %	8.0 %	
NLC India	NR	110	1,83,961	NR	NR	8.0	-	-	13.7	-	-	63	-	12%	12%	11%	7%	2%	

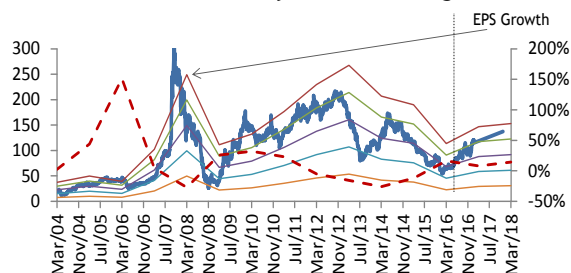
## Consolidated Quarterly Earnings Forecast and Key Drivers

Rs in Mn	1Q17A	2Q17A	3Q17A	4Q17A	1Q18E	2Q18E	3Q18E	4Q18E	1Q19E	2Q19E	3Q19E	4Q19E	FY17A	FY18E	FY19E	FY20E
Revenue	3,993	2,415	3,703	5,255	5,096	3,150	4,537	5,371	5,210	3,413	4,924	5,682	15,367	18,155	19,230	21,024
(Increase)/Decrease in Stock	-4	-32	-115	-124	0	0	0	0	0	0	0	0	-275	0	0	0
Staff Cost	263	267	266	234	234	234	234	234	234	234	234	234	1,030	937	937	937
Royalty & Dead Rent	200	97	209	306	179	93	165	197	178	101	180	208	812	634	666	726
Power & Fuel	78	19	75	270	247	129	228	272	246	139	249	287	443	876	921	1,003
Other Expenditure	2,054	1,408	2,607	3,083	2,839	1,871	2,781	3,142	2,959	2,032	3,018	3,346	9,151	10,633	11,355	12,254
EBITDA	1,402	657	662	1,486	1,597	823	1,129	1,526	1,593	908	1,244	1,606	4,206	5,075	5,351	6,105
Depreciation	317	335	424	435	419	424	427	430	434	438	441	445	1,512	1,700	1,758	1,817
EBIT	1,084	321	237	1,050	1,179	399	702	1,095	1,159	470	802	1,161	2,693	3,375	3,593	4,288
Interest	3	3	4	4	0	0	0	0	0	0	0	0	13	0	0	0
Other Income	482	584	446	279	314	343	340	370	374	397	396	430	1,790	1,367	1,597	1,849
PBT	1,563	902	680	1,325	1,493	742	1,041	1,466	1,533	867	1,199	1,590	4,470	4,742	5,190	6,137
Tax	404	174	214	425	433	215	302	425	445	251	348	461	1,217	1,375	1,505	1,780
Recurring PAT	1,159	729	465	900	1,060	527	739	1,041	1,088	616	851	1,129	3,253	3,367	3,685	4,357
Extraordinary	-330	0	0	0	0	0	0	0	0	0	0	0	-330	0	0	0
Reported PAT	1,489	729	465	900	1,060	527	739	1,041	1,088	616	851	1,129	3,583	3,367	3,685	4,357
EPS (Rs)	3.64	2.29	1.46	2.83	3.33	1.66	2.33	3.27	3.42	1.94	2.68	3.55	10.23	10.59	11.59	13.70
<b>Key Drivers</b>																
Lignite sales (mn tons)	2.1	1.1	1.8	2.6	2.4	1.3	2.2	2.7	2.4	1.4	2.4	2.8	7.7	8.6	9.0	9.8
Bauxite sales ('000 tons)	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.4	0.5	0.5	0.5
Power sold (million units)	466	470	424	409	528	519	440	453	539	530	451	464	1,769	1,940	1,984	1,984
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Sequential Growth (%)</b>																
Revenue	13 %	-40 %	53 %	42 %	-3 %	-38 %	44 %	18 %	-3 %	-34 %	44 %	15 %	-	-	-	-
(Increase)/Decrease in Stock	-119 %	729 %	256 %	7 %	-100 %	-	-	-	-	-	-	-	-	-	-	-
EBITDA	104 %	-53 %	1 %	125 %	8 %	-48 %	37 %	35 %	4 %	-43 %	37 %	29 %	-	-	-	-
EBIT	253 %	-70 %	-26 %	342 %	12 %	-66 %	76 %	56 %	6 %	-59 %	71 %	45 %	-	-	-	-
Recurring PAT	193 %	-37 %	-36 %	93 %	18 %	-50 %	40 %	41 %	5 %	-43 %	38 %	33 %	-	-	-	-
EPS	193 %	-37 %	-36 %	93 %	18 %	-50 %	40 %	41 %	5 %	-43 %	38 %	33 %	-	-	-	-
<b>Yearly Growth (%)</b>																
Revenue	27 %	-2 %	40 %	49 %	28 %	30 %	23 %	2 %	2 %	8 %	9 %	6 %	30 %	18 %	6 %	9 %
EBITDA	42 %	-8 %	8 %	116 %	14 %	25 %	71 %	3 %	0 %	10 %	10 %	5 %	40 %	21 %	5 %	14 %
EBIT	60 %	-20 %	-22 %	242 %	9 %	24 %	196 %	4 %	-2 %	18 %	14 %	6 %	59 %	25 %	6 %	19 %
Recurring PAT	60 %	10 %	0 %	128 %	-9 %	-28 %	59 %	16 %	3 %	17 %	15 %	9 %	45 %	4 %	9 %	18 %
EPS	60 %	10 %	0 %	128 %	-9 %	-28 %	59 %	16 %	3 %	17 %	15 %	9 %	45 %	4 %	9 %	18 %
<b>Margin (%)</b>																
EBITDA	35 %	27 %	18 %	28 %	31 %	26 %	25 %	28 %	31 %	27 %	25 %	28 %	27 %	28 %	28 %	29 %
EBIT	27 %	13 %	6 %	20 %	23 %	13 %	15 %	20 %	22 %	14 %	16 %	20 %	18 %	19 %	19 %	20 %
PBT	39 %	37 %	18 %	25 %	29 %	24 %	23 %	27 %	29 %	25 %	24 %	28 %	29 %	26 %	27 %	29 %
PAT	29 %	30 %	13 %	17 %	21 %	17 %	16 %	19 %	21 %	18 %	17 %	20 %	21 %	19 %	19 %	21 %

## Consolidated Financials

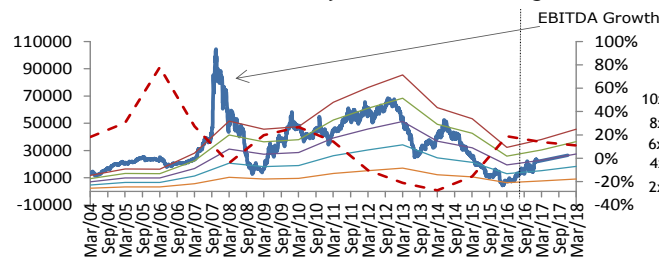
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Op. Expenditure	11,161	13,079	13,879	14,919
EBITDA	4,206	5,075	5,351	6,105
Depreciation	1,512	1,700	1,758	1,817
EBIT	2,693	3,375	3,593	4,288
Interest Expense	13	0	0	0
Other Income	1,790	1,367	1,597	1,849
PBT	4,470	4,742	5,190	6,137
Tax	1,217	1,375	1,505	1,780
PAT bef. MI & Assoc.	3,253	3,367	3,685	4,357
Minority Interest	0	0	0	0
Profit from Assoc.	0	0	0	0
Recurring PAT	3,253	3,367	3,685	4,357
Extraordinaires	-330	0	0	0
Reported PAT	3,583	3,367	3,685	4,357
FDEPS (Rs)	10.2	10.6	11.6	13.7
DPS (Rs)	3.0	3.5	4.0	4.0
CEPS (Rs)	16.0	15.9	17.1	19.4
FCFPS (Rs)	34.8	13.6	13.8	16.3
BVPS (Rs)	122.9	129.3	136.0	144.9
EBITDAM (%)	27 %	28 %	28 %	29 %
PATM (%)	21 %	19 %	19 %	21 %
Tax Rate (%)	27 %	29 %	29 %	29 %
Sales Growth (%)	30 %	18 %	6 %	9 %
FDEPS Growth (%)	45 %	4 %	9 %	18 %

TTM P/E vs. 2 yr forward EPS growth



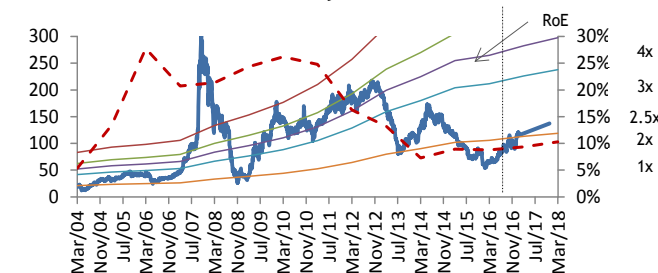
Balance Sheet (Rs Mn)	FY17A	FY18E	FY19E	FY20E
Equity Capital	636	636	636	636
Reserve	38,441	40,468	42,622	45,448
Networth	39,077	41,104	43,258	46,084
Long Term Debt	0	0	0	0
Def Tax Liability	6,685	6,685	6,685	6,685
Minority Interest	0	0	0	0
Account Payables	974	995	1,053	1,141
Other Curr Liabi	3,473	3,550	3,756	4,072
Total Liabilities & Equity	50,209	52,335	54,751	57,982
Net Fixed Assets	20,727	20,288	19,730	19,113
Capital WIP	0	0	0	0
Others	16,051	15,840	15,840	15,840
Inventory	688	704	744	807
Account Receivables	1,265	1,035	1,095	1,187
Other Current Assets	432	442	467	507
Cash	11,044	14,026	16,875	20,529
Total Assets	50,209	52,335	54,751	57,982
Non-cash Working Capital	-2,061	-2,365	-2,502	-2,712
Cash Conv Cycle	-48.9	-47.5	-47.5	-47.1
WC Turnover	-7.5	-7.7	-7.7	-7.8
FA Turnover	0.7	0.9	1.0	1.1
Net D/E	-0.3	-0.3	-0.4	-0.4
Revenue/Capital Employed	0.3	0.4	0.4	0.4
Capital Employed/Equity	1.2	1.2	1.2	1.1

TTM EV/EBITDA vs. 2 yr forward EBITDA growth



Cash Flow (Rs Mn)	FY17A	FY18E	FY19E	FY20E
PBT	4,470	4,742	5,190	6,137
Depreciation	1,512	1,700	1,758	1,817
Others	330	0	0	0
Taxes Paid	1,217	1,375	1,505	1,780
Change in WC	13,546	304	137	211
Operating C/F	18,641	5,372	5,580	6,385
Capex	-7,585	-1,050	-1,200	-1,200
Change in Invest	0	0	0	0
Others	0	0	0	0
Investing C/F	-7,585	-1,050	-1,200	-1,200
Change in Debt	0	0	0	0
Change in Equity	0	0	0	0
Others	-337	-1,340	-1,531	-1,531
Financing C/F	-337	-1,340	-1,531	-1,531
Net change in cash	10,720	2,982	2,849	3,654
RoE (%)	9 %	8 %	9 %	10 %
RoIC (%)	7 %	7 %	8 %	8 %
Core RoIC (%)	6 %	8 %	9 %	11 %
Div Payout (%)	32 %	40 %	42 %	35 %
P/E	12.8	12.3	11.3	9.5
P/B	1.1	1.0	1.0	0.9
P/FCFF	3.7	9.6	9.5	8.0
EV/EBITDA	7.2	5.4	4.6	3.4
EV/Sales	2.0	1.5	1.3	1.0
Dividend Yield (%)	2.3 %	2.7 %	3.1 %	3.1 %

TTM P/B vs. 2 yr forward RoE





## Historical Consolidated Financials

P&L (Rs Mn)	FY14A	FY15A	FY16A	FY17A	Balance Sheet (Rs Mn)	FY14A	FY15A	FY16A	FY17A	Cash Flow (Rs Mn)	FY14A	FY15A	FY16A	FY17A
Revenue	12,896	14,189	11,787	15,367	Equity Capital	636	636	636	636	PBT	6,296	5,383	3,185	4,470
Op. Expenditure	6,751	8,851	8,790	11,161	Reserve	27,989	31,780	36,006	38,441	Depreciation	1,246	1,373	1,307	1,512
EBITDA	6,146	5,338	2,997	4,206	Networth	28,625	32,416	36,642	39,077	Others	-1,021	-213	-425	330
Depreciation	1,246	1,373	1,307	1,512	Long Term Debt	0	0	0	0	Taxes Paid	2,473	2,177	939	1,217
EBIT	4,900	3,965	1,690	2,693	Def Tax Liability	7,306	6,285	5,874	6,685	Change in WC	-1,183	-3,355	-12,715	13,546
Interest Expense	0	17	11	13	Minority Interest	0	0	0	0	Operating C/F	2,864	1,011	-9,588	18,641
Other Income	1,395	1,434	1,506	1,790	Account Payables	2,319	1,916	681	974	Capex	-1,892	-744	-556	-7,585
PBT	6,296	5,383	3,185	4,470	Other Curr Liabi	1,200	1,203	3,497	3,473	Change in Invest	-776	-387	-2,714	0
Tax	1,905	1,356	939	1,217	Total Liabilities & Equity	39,450	41,820	46,694	50,209	Others	768	1,002	0	0
PAT bef. MI & Assoc.	4,391	4,027	2,246	3,253	Net Fixed Assets	18,624	17,562	17,907	20,727	Investing C/F	-1,899	-129	-3,269	-7,585
Minority Interest	0	0	0	0	Capital WIP	112	459	310	0	Change in Debt	0	0	0	0
Profit from Assoc.	0	0	0	0	Others	7,737	10,723	12,489	16,051	Change in Equity	0	0	3,554	0
Recurring PAT	4,391	4,027	2,246	3,253	Inventory	472	521	435	688	Others	-1,115	-1,114	-1,559	-337
Extraordinaires	0	-976	425	-330	Account Receivables	518	812	974	1,265	Financing C/F	-1,115	-1,114	1,995	-337
Reported PAT	4,391	5,003	1,820	3,583	Other Current Assets	11,570	556	14,254	432	Net change in cash	-150	-231	-10,862	10,720
EPS (Rs)	13.8	12.7	7.1	10.2	Cash	418	11,187	325	11,044	RoE (%)	16 %	13 %	7 %	9 %
DPS (Rs)	3.0	3.0	3.0	3.0	Total Assets	39,450	41,820	46,694	50,209	RoIC (%)	13 %	11 %	6 %	7 %
CEPS (Rs)	17.7	20.0	9.8	16.0	Non-cash Working Capital	9,041	-1,230	11,485	-2,061	Core RoIC (%)	11 %	13 %	5 %	6 %
FCFPS (Rs)	3.0	2.8	-40.4	34.8	Cash Conv Cycle	255.9	-31.6	355.7	-48.9	Div Payout (%)	25 %	22 %	63 %	32 %
BVPS (Rs)	90.0	101.9	115.2	122.9	WC Turnover	1.4	-11.5	1.0	-7.5	P/E	9.4	10.3	18.5	0.0
EBITDAM (%)	48 %	38 %	25 %	27 %	FA Turnover	0.7	0.8	0.6	0.7	P/B	1.4	1.3	1.1	0.0
PATM (%)	34 %	35 %	15 %	23 %	Net D/E	0.0	-0.3	0.0	-0.3	P/FCFF	43.0	46.4	-3.2	3.7
Tax Rate (%)	30 %	25 %	29 %	27 %	Revenue/Capital Employed	0.4	0.4	0.3	0.3	EV/EBITDA	9.1	8.0	17.7	0.0
Sales growth (%)	-22 %	10 %	-17 %	30 %	Capital Employed/Equity	1.3	1.2	1.2	1.2	EV/Sales	4.3	3.0	4.5	0.0
FDEPS growth (%)	-23 %	-8 %	-44 %	45 %						Dividend Yield (%)	2.3 %	2.3 %	2.3 %	2.3 %



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