

## Stable operating performance

**CMP:** Rs. 200  
**Target Price:** Rs. 247  
**Rating:** Buy

### Stock Info

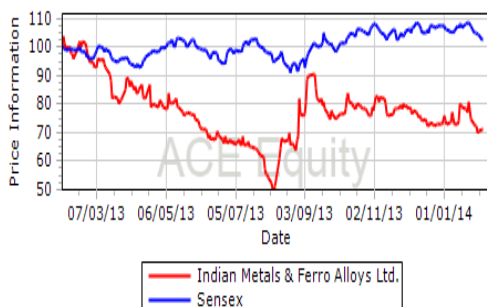
BSE Group	B
BSE Code	533047
NSE Symbol	IMFA
Bloomberg	IMFA.IN
Reuters	IMFA.BO
BSE Sensex	20212
NSE Nifty	6001

### Market Info

Market Capital	₹ 524cr
Equity Capital	₹ 26.3cr
Avg. Trading Vol.	4282
52 Wk High/ Low	306/138
Face Value	10

### Shareholding Pattern (%) (Dec 2013)

Promoters	55.7
Domestic Institutions	10.4
Foreign Institutions	0
Non Promoters Corp.	4.1
Public & Others	29.8



IMFA's 3QFY14 performance was largely in line with estimates. Revenues increased by 16.9% yoy to Rs 364cr on the back of higher realisations and volumes. Volumes were up 11.3% yoy and 10% qoq to 50604 tonne. Blended realisations on the back of higher benchmark prices and weak rupee rose 3.9% yoy to Rs 67473 per tonne. On qoq basis realisations were 2.4% higher.

Operating margins moved up marginally by ~50bps to 22.6%, while on yoy basis margins were 390bps higher. Profit after tax came in at Rs 11cr; which was 27% lower yoy.

### Concall Updates:

With respect to commissioning of Utkal coal block, since the issues pertaining to allocation of all coal blocks are sub-judiced in Supreme Court of India, it will take some more time for mine to get operational. Nonetheless, management has clarified that it is in adherence to all the requirements for commissioning of coal block. Management has indicated ~6 months for commencement of mining operations once it receives grant order from the Orissa government and is targeting initial run rate of 200 tpm of coal, which is sufficient to meet its requirements.

Variable power generation cost was Rs 5 per unit during the quarter, due to higher quantum of power generated through 108MW power unit as newly commissioned 120MW power unit is going through stabilisation process. Both the units (2\*60MW) are running at ~50% PLF at present. Management expects post stabilisations of 120MW unit, variable power generation cost will come down to Rs 4 per unit as new power unit can run on washery rejects due to lower station heat rate.

With reference to production guidance company is targeting 220000-230000 tonne of FeCr in FY15.

### Valuations

IMFA continues to post stable operating performance despite faced with challenging operating environment. Going forward, we believe IMFA's superior earnings growth is hinging upon commissioning of captive coal mine. We believe commissioning of captive coal mine gives significant operating leverage to IMFA, thereby aiding significant margin expansion through lower power generation cost. **However, given the uncertainty surrounding its commissioning we have not assumed any contribution from the same. We have valued IMFA at EV/EBITDA of 4.5x its FY15 estimates and have arrived at fair value of Rs 247 per share. Recommend Buy rating on the stock.**

Y/E March, (₹ in Cr)	FY12	FY13	FY14E	FY15E	FY16E
Net Revenue	1193	1273	1408	1515	1604
EBIDTA	229	274	332	361	389
PAT	64	63	52	66	97
EPS	24	24	20	25	37
EPS Growth (%)	(61)	(1)	(18)	27	46
RONW (%)	8.1	7.7	6.1	7.2	9.7
P/E (X)	8.2	8.2	10.0	7.9	5.4
EV/EBITDA(X)	3.0	5.0	4.2	3.6	3.0

Date: 05-02-2014



## 3QFY14 Results (Standalone)

Rs in Crore	3QFY14	3QFY13	YoY (%)	2QFY14	QoQ (%)
Net Sales	364	312	16.9	323	13
Expenditure	282	253	11	251	12
EBITDA	82	58	41	71	15
EBITDA Margins (%)	22.6	19	21	22	2
Other Income	5	2	127	8	-42
Interest	31	19	63	38	-20
Depreciation	39	18	117	38	2
Exceptional Items (Loss)	0	0	-	0	-
PBT after exceptional items	18	24	-25	3	458
Tax	7	9	-22	-10	-167
Tax rate (%)	38	37	4	-320	-112
Reported PAT	11	15	-27	13	-18
Adjusted PAT	11	15	-27	13	-18
Net Profit Margin (%)	3	5	-38	4	-27



### Profit & Loss Statement (Standalone)

Y/E March (Rs Cr)	FY13	FY14E	FY15E	FY16E
<b>Net Sales</b>	<b>1273</b>	<b>1408</b>	<b>1515</b>	<b>1604</b>
% Chg	6.8	10.6	7.6	5.9
<b>Total Expenditure</b>	<b>999</b>	<b>1076</b>	<b>1154</b>	<b>1215</b>
<b>EBITDA</b>	<b>274</b>	<b>332</b>	<b>361</b>	<b>389</b>
EBITDA Margin %	22	23.6	23.8	24.3
<b>Other Income</b>	<b>8</b>	<b>18</b>	<b>20</b>	<b>21</b>
<b>Depreciation</b>	<b>82</b>	<b>147</b>	<b>158</b>	<b>163</b>
<b>EBIT</b>	<b>200</b>	<b>204</b>	<b>223</b>	<b>247</b>
<b>Interest</b>	<b>87</b>	<b>140</b>	<b>135</b>	<b>118</b>
<b>PBT after EI</b>	<b>103</b>	<b>64</b>	<b>88</b>	<b>129</b>
<b>Tax Provisions</b>	<b>49</b>	<b>11</b>	<b>22</b>	<b>32</b>
<b>PAT</b>	<b>63</b>	<b>52</b>	<b>66</b>	<b>97</b>
PAT %	5	4	4	6

### Cash Flow Statement

Y/E Mar. (Rs. in cr)	FY13	FY14E	FY15E	FY16E
<b>Profit Before tax</b>	<b>103</b>	<b>64</b>	<b>88</b>	<b>129</b>
<b>Depreciation</b>	<b>82</b>	<b>147</b>	<b>158</b>	<b>163</b>
<b>OPAT before WC change</b>	<b>223</b>	<b>332</b>	<b>361</b>	<b>389</b>
<b>WC change</b>	<b>5</b>	<b>-58</b>	<b>-37</b>	<b>-46</b>
<b>Cash from Operating activity</b>	<b>228</b>	<b>274</b>	<b>324</b>	<b>343</b>
<b>Tax Paid</b>	<b>-45</b>	<b>-11</b>	<b>-22</b>	<b>-32</b>
<b>Cash flow from Operating</b>	<b>183</b>	<b>263</b>	<b>302</b>	<b>311</b>
<b>Cash flow from investing</b>	<b>-194</b>	<b>-147</b>	<b>-71</b>	<b>-74</b>
<b>Cash flow from financing</b>	<b>58</b>	<b>-171</b>	<b>-183</b>	<b>-219</b>
<b>increase/ decrease in cash</b>	<b>46</b>	<b>-55</b>	<b>48</b>	<b>17</b>
<b>Opening cash</b>	<b>19</b>	<b>66</b>	<b>10</b>	<b>58</b>
<b>Closing cash</b>	<b>66</b>	<b>10</b>	<b>58</b>	<b>76</b>

### Balance sheet

Y/E Mar. (Rs. in cr)	FY13	FY14E	FY15E	FY16E
<b>Equity</b>	<b>826</b>	<b>863</b>	<b>914</b>	<b>995</b>
Share capital	26	26	26	26
Reserves and surplus	800	837	888	969
<b>Noncurrent Liab</b>	<b>834</b>	<b>891</b>	<b>826</b>	<b>751</b>
Long term borrowings	634	684	634	554
Deferred tax liabilities	54	54	54	54
Other LT liabilities	145	152	138	143
<b>Current liabilities</b>	<b>655</b>	<b>565</b>	<b>603</b>	<b>598</b>
<b>Equity + Liability</b>	<b>2,314</b>	<b>2,318</b>	<b>2,343</b>	<b>2,344</b>
<b>Noncurrent assets</b>	<b>1,512</b>	<b>1,515</b>	<b>1,432</b>	<b>1,350</b>
Fixed assets	1,242	1,245	1,162	1,079
LT Investments	165	165	165	165
LT loans and advances	105	105	105	105
<b>Current assets</b>	<b>802</b>	<b>804</b>	<b>910</b>	<b>995</b>
<b>Total Assets</b>	<b>2,314</b>	<b>2,318</b>	<b>2,343</b>	<b>2,344</b>

### Key Ratios (Standalone)

Y/E March (Rs Cr)	FY13	FY14E	FY15E	FY16E
<b>Per Share data (Rs)</b>				
<b>EPS</b>	<b>24.4</b>	<b>20.1</b>	<b>25.4</b>	<b>37.2</b>
<b>Cash EPS</b>	<b>56</b>	<b>77</b>	<b>86</b>	<b>100</b>
<b>DPS</b>	<b>5.0</b>	<b>5.0</b>	<b>5.0</b>	<b>5.0</b>
<b>Book value</b>	<b>318</b>	<b>332.0</b>	<b>351.6</b>	<b>383.0</b>
<b>Operating, Returns</b>				
<b>Debt/ Equity (X)</b>	<b>1.1</b>	<b>1.0</b>	<b>1.0</b>	<b>0.8</b>
<b>Current Ratio (X)</b>	<b>1.2</b>	<b>1.4</b>	<b>1.5</b>	<b>1.7</b>
<b>RoE (%)</b>	<b>7.7</b>	<b>6.1</b>	<b>7.2</b>	<b>9.7</b>
<b>RoCE (%)</b>	<b>8.7</b>	<b>8.8</b>	<b>9.5</b>	<b>10.6</b>
<b>Dividend Yield (%)</b>	<b>2.5</b>	<b>2.5</b>	<b>2.5</b>	<b>2.5</b>
<b>Valuation Ratio (X)</b>				
<b>P/E</b>	<b>8.2</b>	<b>10.0</b>	<b>7.9</b>	<b>5.4</b>
<b>P/BV</b>	<b>0.6</b>	<b>0.6</b>	<b>0.6</b>	<b>0.5</b>
<b>EV/ Sales</b>	<b>1.1</b>	<b>1.0</b>	<b>0.9</b>	<b>0.7</b>
<b>EV/EBITDA</b>	<b>5.0</b>	<b>4.2</b>	<b>3.6</b>	<b>3.0</b>



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**Stock Rating Scale****Absolute Return**

BUY	:	>20%
ACCUMULATE	:	12-20%
HOLD	:	5-12%
NEUTRAL	:	0-5%
REDUCE	:	< 0%

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