

K E Y N O T E

I P O N O T E

MOIL Ltd.

November 24, 2010

Price Band	:	₹340 - 375per share
Minimum Bid Lot Size	:	17 Equity Share
IPO open during	:	Nov. 26 - Dec. 1, 2010 ((for QIBs issue closes on Nov. 30, 2010)
Book Running Lead Managers	:	Edelweiss Capital, IDBI Capital, JP Morgan India
To list on	:	NSE & BSE
IPO Grading	:	5 / 5 (CARE)
PE	:	12.3x (based on base price)*
	:	13.5x (based on cap price)*
Market Cap post-listing	:	₹6300Cr or \$1381mn (based on the cap price)
Market Cap of Free-Float	:	₹1260Cr or \$276mn (based on the cap price)

* Based on FY10 EPS

IPO of 33.6mn equity shares of ₹10each, aggregating to ₹1260Cr or \$276mn (at the cap price) through an offer for sale by the President of India, acting through the Ministry of Steel, Government of India, the Governor of Maharashtra, acting through the Industries, Energy and Labour Department, Government of Maharashtra and the Governor of Madhya Pradesh acting through the Finance Department, Government of Madhya Pradesh.

Shareholding Pattern

Shareholder Categories	Pre-Issue		Post-Issue	
	No. of Shares	% Holding	No. of Shares	% Holding
Promoters & Promoters Group	16,80,00,000	100.0%	13,44,00,000	80.0%
QIBs excl. Mutual Funds	-	-	3,36,00,000	20.0%
Mutual Funds	-	-		
Non-Institutional Investors	-	-		
Public	-	-		
Total	16,80,00,000	100.0%	16,80,00,000	100.0%

Executive Summary

- Incorporated in 1962, MOIL is the largest producer of manganese ore by volume in India. According to the JORC report prepared by IMC dated October 30, 2010, as on October 1, 2010, MOIL has access to 21.7mn tonnes of proved and probable reserves and a total of 69.5mn tonnes of measured, indicated and inferred mineral resources of manganese ore.
- Manganese ore is primarily used to make ferro-alloys for steel production. According to the Indian Ministry of Steel, India was the fifth largest producer of crude steel in the world in 2009 and is expected to become the second largest producer of crude steel in the world by 2015-2016. MOIL is the key beneficiary of the steel sector's expansion.
- As the largest producers of manganese ore by volume in India, MOIL is able to achieve economies of scale in procurement of input materials, production efficiency, marketing, sales, and other aspects of its operations.
- The company has well-entrenched management team. Its key management personnel have an average of over 20 years of experience in the mining industry.
- All of MOIL's mines are located in central India, in the states of Maharashtra and Madhya Pradesh, benefiting from well-developed road and rail infrastructure. Central location also gives the company a marketing advantage over competitors, since it facilitates transportation of the company's products, resulting in lower cost and faster time of delivery for the customers.

Keynote Capitals Research

(+9122-30266000)

Keynote Capitals Institutional Research is also available on

Bloomberg KNTE <GO>, Thomson One Analytics, Reuters Knowledge, Capital IQ, TheMarkets.com and securities.com

Keynote Capitals Institutional Research - winner of "India's Best IPO Analyst Award 2009" by MCX-Zee Business

Company Background

MOIL was incorporated in 1962 as a public limited company with the RoC under the name Manganese Ore (India) Ltd. Subsequently, the name of the company was changed from Manganese Ore (India) Limited to MOIL Limited and a fresh certificate of incorporation consequent upon change of name was issued by the RoC on August 17, 2010.

In 1896, a British company by the name of Central Provinces Prospecting Syndicate was set up. In 1924, it changed its name to the Central Provinces Manganese Ore Company Ltd. ("CPMO"). CPMO ran extensive mining operations for manganese ore within the present-day state of Madhya Pradesh prior to Indian independence.

MOIL was set up pursuant to an agreement dated June 8, 1962 between the Government of India and CPMO. Pursuant to the terms of this agreement, MOIL was incorporated and certain assets of CPMO were transferred to the company in return for 49% of Equity Shares MOIL. MOIL was incorporated with a view to inter alia, obtain and work mining leases for manganese ore over the Nagpur, Dongri Buzurg and other areas.

In 1977, CPMO ceased its involvement with MOIL following a sale of its entire shareholding and certain other properties and assets associated with the company's operations to the Government of India, for an aggregate consideration of ₹ 15,067,758 pursuant to an agreement dated September 21, 1977.

Promoters and Management

Mr. Kumar Jitendra Singh, Chairman and Managing Director of MOIL since 2009 oversees the day to-day operations of MOIL.

Industry Overview

World over, manganese is the fourth most used metal after iron, aluminium and copper. Over 90% of the world's production of manganese is utilized in the desulphurization and strengthening of steel. It improves the strength, toughness, hardness and workability of steel.

The Manganese ore and alloy industry has historically derived demand from the steel industry and hence is directly exposed to the volatility and the cyclicality of the global steel industry. Manganese ore is smelted to produce manganese ferroalloys (such as ferromanganese and silico manganese), which are used in steel-alloying applications. The performance of the manganese alloy industry is the key determinant of the manganese ore demand.

The global steel industry enjoyed a boom in demand as the world consumption of the metal increased at a Compounded Annual Growth Rate (CAGR) of approximately 8% during the period 2002 to 2007. Growth in demand along with the increase in profitability encouraged steel producers across the globe to enter into a phase of massive capacity expansions, consolidations and mergers and acquisitions. The virtual cycle of the growing investments and output came to a halt in the second half of CY08, due to the global financial crises which had the effect of reducing global demand for almost all the base metals.

With the strong back up from central banks across the countries and various governments' stimulus packages among other things, the demand for most base metals began to show signs of revival in the latter half of CY09. In response to the increase in

demand, there was a revival of dormant steel production capacities too. In line with the movements in the steel production cycle, manganese ore and alloy prices remained subdued in the first half of the CY09. Supply cutbacks swept the manganese sector in an effort to match the reduced levels of demand, which were maintained into the third quarter of 2009. Demand began to improve during the second half of the year, when producers responded to the improved order levels by announcing furnace restarts. Both ore and alloy prices will continue to be influenced by steel production trends and the stocking and destocking cycles.

Global manganese ore reserves

Many steel-making countries do not possess manganese ore resources. North America has less than 1% of the world manganese ore reserves. Additionally, the USA has lean grade reserves and potentially high extraction cost. Despite having large ore reserves, countries such as the Ukraine import high grade ore which is used to enrich their low grade ore production. This leads to active global trade in Mn ore and Mn alloys between countries.

As of CY09, land-based total manganese reserves in the world are placed at 5,200 million tonnes, of which South Africa alone accounts for more than 75%, distantly followed by the Ukraine (10%), Australia and India (3%) each. China and Brazil account for about 2% and 1% respectively. (Source: United States Geological Survey (USGS)).

Global manganese ore reserves base 2009:

Global Ore Reserves Base (CY2009)	Million Tonnes	(% of Total)
South Africa	4,000	77
Ukraine	520	10
Australia	160	3
India	150	3
China	100	2
Gabon	90	2
Brazil	57	1
Mexico	8	0.2
Other Countries	115	2
Total	5,200	100

Source: USGS-(Report- US Geological Survey, Mineral Commodity Summaries, January 2009)

Outlook

World demand for manganese depends directly on the outlook of the steel industry. There are numerous grades of steel and each requires a different amount of manganese. Some manganese which is to be converted into steel is present in the iron (hot metal) coming either from the iron ore charge or from the addition of manganese ore to the blast furnace. This manganese is only a small part of the total requirement and it is partly oxidized during the different processes that convert the hot metal into steel. Hence most of the manganese addition is made in the steel melting shop. The majority of it is in the form of manganese ferro-alloys, but there are some cases when it can be added in the form of ore.

Currently the average unit consumption for industrialized countries is about 10kg of manganese per ton of steel. Changes in steel have had an effect on manganese requirements. For constant unit consumption, manganese demand follows the growth in steel production. Manganese requirements for other metallurgical applications or for

nonmetallurgical uses do not represent a quantity large enough to significantly affect the overall manganese demand as a direct function of steel production growth. Hence to estimate the demand for manganese, it is pertinent to estimate the demand for steel:

Steel Industry Outlook

During CY01 to CY09, global steel capacities have grown at a CAGR of about 6.5% reaching to 1,750 million tonnes. Most of these capacity expansions came from the emerging economies where the internal demand was largely unaffected by the global financial crisis. Global crude steel production during the same period increased at a CAGR of about 4.7% reaching about 1,227 million tonnes in CY09.

Overview of the Indian Manganese Ore Industry:

As of 31st March, 2005, total resources of manganese ore in India are placed at 378.6 million tonnes as per the United Nations Framework Classification (UNFC) system. Out of these, 138.2 million tonnes are categorised as reserves (150 million tonnes according to United States Geological Survey (USGS website)) and the balance are in the remaining resources category. (Based on latest publically available data). Grade-wise, ferromanganese grade accounts for only 7%, medium grade 8%, BF grade 34% and the remaining 51% are of mixed, low, others, unclassified and not known grades including 0.5 million tonnes of battery or chemical grade. (Source: Indian Bureau of Mines (IBM)). (Based on latest publically available data). State-wise, Orissa tops the total resources list with 40% share followed by Karnataka 22%, Madhya Pradesh 16%, Maharashtra 8%, Goa 5% and Andhra Pradesh 4%. Rajasthan, Gujarat, Jharkhand and West Bengal together shared about 5% of the total resources. (Source: Indian Bureau of Mines (IBM)) Manganese ore mining in India is carried out by both the opencast as well as underground methods. Of the 126 mines, eight are underground (three in Madhya Pradesh and five in Maharashtra).

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, 2005, projected steel production is likely to double within a decade's time. In view of this, 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. In order to achieve the projected demand of ferro alloys, there will be large requirements of quality manganese ore. Therefore, either huge quantity of manganese ore is to be imported or the same could be converted into ferro alloys externally and then imported into India. 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.

Indian Ferro Alloy Industry

Since liberalization, the Indian ferro alloys industry has accounted for almost 7% of the world manganese alloy production. Despite the global meltdown, the ferro alloys industry has registered a production growth of 7.2% during Fiscal 2010. Ferro alloys are used in the production of steel as de-oxidant and alloying agents. Currently, the ferro alloy capacity in India is around 4 mtpa. The industry produced 2.22 million tonnes of ferro alloys during FY09, a reduction of about 5.9% as compared to the previous year's production of 2.36 million tonnes. (Source: Indian Ferro Alloys Producers Association (IFAPA)).

Business Overview

MOIL was the largest producer of manganese ore by volume in India in FY08 (Source: Indian Bureau of Mines, Indian Mineral Yearbook 2008). The company's production of manganese ore increased from 864,890 tonnes in FY06 to 1,093,363 tonnes in FY10. According to the JORC report prepared by IMC dated October 30, 2010, as on October 1, 2010, MOIL has access to 21.7mn tonnes of proved and probable reserves and a total of 69.5mn tonnes of measured, indicated and inferred mineral resources of manganese ore. In addition, 55.0% of the company's proved and probable manganese ore reserves, as of October 1, 2010, have an average manganese content of 40.0% or higher. Further, 27.5% of its proved and probable manganese ore reserves as of October 1, 2010, have an average manganese content ranging from 36.0% to 39.9%. In addition, none of the company's mines produces low-grade manganese (i.e. below 30.0% manganese content).

MOIL operates seven underground mines (Kandri, Munsar, Beldongri, Gumgaon, Chikla, Balaghat and Ukwa mines) and three opencast mines (Dongri Buzurg, Sitapatore/Sukli, and Tirodi).

It produced 1,364,575 tonnes, 1,175,318 tonnes, 1,093,363 tonnes and 516,749 tonnes of manganese ore in FY08, 09, 10 and in H1FY11, respectively. The company produced 700,776 tonnes of manganese ore from its underground mines and 392,587 tonnes of manganese ore from its opencast mines in FY10.

The company is actively involved in exploration and development activities with a view to increasing its proved manganese ore reserves. In addition, an area of 814.71 hectares in the State of Maharashtra has been reserved for MOIL by a notification from the Ministry of Mines in October 2009. MOIL has also applied for prospecting licenses with respect to this area.

Manganese ore is primarily used to make ferro-alloys for steel production. According to the Indian Ministry of Steel, India was the fifth largest producer of crude steel in the world in 2009 and is expected to become the second largest producer of crude steel in the world by 2015-2016. The Indian steel industry has continued to advance on a growth trajectory and it is anticipated that by 2011-2012, the crude steel production capacity in India will be nearly 124 million tonnes (Source: Ministry of Steel, Annual Report 2009-2010), which in turn is expected to result in continued demand for manganese ore in India. MOIL accounted for approximately 50.0% of India's total production of manganese ore in Fiscal 2008 (Source: Indian Bureau of Mines, Indian Mineral Yearbook 2008).

The company sells all of the manganese ore in the Indian market, primarily to ferro-alloy producers in the steel industry. Manganese ore sales (gross) represented approximately 89.1%, 82.5%, 83.7% and 84.7% of MOIL's total income in FY08, FY09, FY10 and in H1FY11, respectively.

The company's key customers include Maharashtra Elektros melt and Bhilai Steel Plant, which are both state entities that are a subsidiary and a division of SAIL, respectively and together accounted for 22.1% of MOIL's manganese ore sales in FY10.

MOIL was conferred the *Mini Ratna* status in 2008, which provides it with certain operational and financial autonomy. In particular, the company is not required to obtain

the approval of the government to incur capital expenditure for the implementation of certain mechanization programs and purchase of equipment.

Competitive Strengths

Largest producer of manganese ore in India with access to significant reserves

The company was the largest producer of manganese ore by volume in India in FY08 (Source: Indian Bureau of Mines, Indian Mineral Yearbook 2008). It produced 1,364,575 tonnes, 1,175,318 tonnes, 1,093,363 tonnes and 516,749 tonnes of manganese ore in FY08, FY09, FY10 and in H1FY11, respectively. The company accounted for approximately 50.0% of India's total production of manganese ore in FY08 (Source: Indian Bureau of Mines, Indian Mineral Yearbook 2008).

MOIL has also benefitted from its long operational history of mining manganese ore in India for over four decades. Based on a comparison between the company's reserves under the United Nations Framework Classification for Energy and Mineral Resources ("UNFC") framework as of 2009, and data provided from the last study performed by United States Geological Survey in 2009, the company holds approximately 17.0% of the proved reserves of manganese ore in India.

Further, most of the company's manganese ore proved reserves are deposited in areas with favorable geological and mining conditions.

Well positioned to capture the growth potential of the Indian steel industry

According to the Ministry of Steel, India is currently the fifth largest producer of crude steel in the world with a crude steel production of 66.34 million tonnes in 2009 (Source: Ministry of Steel, Annual Report 2009-2010). The Indian steel industry is expected to continue to advance on a strong growth trajectory and the crude steel production capacity in India will be nearly 124 million tonnes (Source: Ministry of Steel, Annual Report 2009-2010). This is expected to result in continued demand for manganese ore. In addition, the gradual trend towards the use of silico manganese in the steel industry will continue, providing an opportunity for improved market potential for the company's medium grade ore.

Track record of growth and efficient operations

As the largest producers of manganese ore by volume in India, MOIL is able to achieve economies of scale in procurement of input materials, production efficiency, marketing, sales, and other aspects of its operations.

Strategic location of the company's mines provides it competitive advantages

All of MOIL's mines are located in central India, in the states of Maharashtra and Madhya Pradesh, benefiting from well-developed road and rail infrastructure. Central location also gives the company a marketing advantage over competitors, since it facilitates transportation of the company's products, resulting in lower cost and faster time of delivery for the customers.

Experienced senior management and large pools of skilled manpower

The company has well-entrenched management team. Its key management personnel have an average of over 20 years of experience in the mining industry.

Objects of the Issue

The objects of the offer are to carry out the disinvestment of 33,600,000 Equity Shares by the Selling Shareholders, the Ministry of Steel, Government of India, the State of Maharashtra and the State of Madhya Pradesh.

Investment Risks

(Please refer to RHP for a complete listing of risk factors)

- Prices and sales volumes for manganese ore and manganese products are dependent on the steel industry, and any decrease in such demand or prices could adversely affect the company's revenues and results of operations.
- Underground mining is particularly hazardous and subject to unexpected disruptions, resulting in higher production costs and capacity expansion constraints.
- The company derives 51.5% of its revenues from its top ten customers. The loss of revenues from such customers, in particular, Maharashtra Elektros melt Limited and Bhilai Steel Plant, would have an adverse impact on the company's operations and financial conditions.

Statement of Profit & Loss Statements

(₹Cr)

	FY06	FY07	FY08	FY09	FY10	H1FY11
Income						
Net sales (Manufactured goods)	331.32	417.32	977.54	1293.34	969.40	635.05
Accretion/(-)decretion to stocks	11.79	-28.97	-8.73	34.36	-11.52	-3.93
Total	343.11	388.35	968.81	1327.70	957.87	631.12
Expenditure						
Ore raising and operating expenses	137.75	147.99	178.28	288.09	252.33	125.85
Manufacturing and Elect. Gen. Exp	19.59	25.94	28.86	44.32	37.19	19.69
Administrative and Selling Exps	19.68	22.42	47.60	72.17	61.52	36.95
Research and development Exps	1.28	2.08	2.79	1.67	2.88	1.19
Write offs and provisions	4.66	5.22	6.88	1.66	0.93	0.35
Expenses for diversion of forest land	0.19	1.16	0.05	0.07	0.92	0.37
Total operating expenses	183.14	204.81	264.47	407.99	355.76	184.41
Profit before depreciation, interest and taxation	159.97	183.54	704.34	919.72	602.11	446.72
Other income	20.63	28.39	46.64	111.71	129.98	61.37
Less : Depreciation	11.47	14.08	16.08	24.67	25.30	13.31
Less : Interest and finance charges	0.00	0.00	0.00	0.00	0.00	0.00
Add/(Less) : Prior period items	0.12	-3.29	0.00	0.00	0.00	0.00
Profit before tax	169.01	201.15	734.91	1006.76	706.79	494.78
Provisions for taxation	54.49	66.94	255.09	342.96	240.45	164.05
Net profit after tax as per audited accounts	114.52	134.21	479.82	663.79	466.35	330.72
Adjustments on account of -						
Changes in accounting policies	-0.34	3.73	4.73	-2.11	0.14	1.16
Prior period items	3.41	-3.29	0.00	0.00	0.00	0.00
Other adjustments	-0.32	-3.04	-32.92	44.93	-3.53	0.00
Tax impact	0.00	0.00	0.00	0.00	0.00	0.00
Current year tax impact	-0.06	1.64	10.93	-16.36	1.15	-0.38
Deferred tax liability/asset	-0.41	-1.09	-1.30	0.00	0.00	0.00
Tax impact - other adjustments	-3.74	-0.83	0.30	0.04	1.51	0.00
Total adjustments after tax impact	-1.47	-2.89	-18.26	26.50	-0.73	0.77
Profit after tax, as restated	113.05	131.32	461.56	690.29	465.62	331.50
Weighted average no. of shares	16,80,00,000	16,80,00,000	16,80,00,000	16,80,00,000	16,80,00,000	16,80,00,000
EBITDA Margin	46.6%	47.3%	72.7%	69.3%	62.9%	70.8%
Basic EPS (₹)	6.73	7.82	27.47	41.09	27.72	19.73
Diluted EPS (₹)	6.73	7.82	27.47	41.09	27.72	19.73
Book Value (₹)	21.08	26.98	46.8	78.63	99.8	119.54

KEYNOTE

Balance Sheets

(₹Cr)

	FY06	FY07	FY08	FY09	FY10	H1FY11
Fixed Assets						
Gross Block	147.20	183.31	302.48	342.00	357.03	380.22
Less : Depreciation	86.03	98.84	113.60	136.36	160.49	173.80
Net Block	61.17	84.47	188.88	205.64	196.54	206.42
Less : Revaluation Reserve	0.00	0.00	0.00	0.00	0.00	0.00
Net Block After Revaluation Reserve	61.17	84.47	188.88	205.64	196.54	206.42
Capital Work In Progress	12.56	41.13	8.55	15.45	22.18	22.52
Total fixed assets	73.73	125.61	197.43	221.09	218.72	228.94
Investments	0.02	0.01	0.01	0.11	0.21	2.21
Current Assets, Loans And Advances						
Inventories	59.34	31.27	23.52	57.07	46.38	45.42
Sundry Debtors	45.57	49.99	158.93	61.09	85.75	89.70
Cash And Bank Balances	218.14	321.49	608.55	1232.17	1487.10	1762.88
Other Current Assets	6.24	11.43	21.51	54.14	59.78	54.39
Loans And Advances	19.55	17.15	25.43	40.67	63.13	36.80
Total Current Assets, Loans And Advances	348.84	431.33	837.94	1445.14	1742.13	1989.19
Total Assets	422.58	556.94	1035.38	1666.35	1961.06	2220.35
Liabilities And Provisions						
Current Liabilities	55.65	82.40	133.28	183.15	145.87	154.03
Provisions	10.98	11.70	99.08	143.75	125.65	47.32
Total Current Liabilities And Provisions	66.63	94.09	232.36	326.90	271.52	201.36
Deferred Tax Liabilities	1.86	9.54	16.77	18.50	12.83	10.78
Total Liabilities	68.49	103.63	249.13	345.40	284.35	212.14
Net Worth	354.09	453.31	786.25	1320.94	1676.72	2008.21
Represented By :						
Share Capital	15.33	28.00	28.00	28.00	168.00	168.00
Reserves And Surplus	338.77	425.31	758.25	1292.94	1508.72	1840.21
Less : Revaluation Reserve	0.00	0.00	0.00	0.00	0.00	0.00
Reserves And Surplus	338.77	425.31	758.25	1292.94	1508.72	1840.21
Total Share Capital <i>Plus</i> Reserves	354.09	453.31	786.25	1320.94	1676.72	2008.21
Less : Misc. Exp Not Written Off	0.00	0.00	0.00	0.00	0.00	0.00
Net Worth	354.09	453.31	786.25	1320.94	1676.72	2008.21

Keynote Capitals Ltd.

Member

Stock Exchange, Mumbai (INB 230930539)

National Stock Exchange of India Ltd. (INB 010930556)

Over the Counter Exchange of India Ltd. (INB 200930535)

Central Depository Services Ltd. (IN-DP-CDSL-152-2001)

Registered Office

4th Floor, Balmer Lawrie Building,

5, J. N. Heredia Marg,

Ballard Estate, Mumbai 400 001.

Tel Nos. 022-2269 4322 / 24 / 25

Disclaimer

This report by Keynote Capitals Ltd. is purely for information purpose and is based on the Red Herring Prospectus for the public issue of the company under coverage, published financial statements, public information and the recent analyst meeting of the company. Neither the information nor any opinion expressed in this report constitutes an offer, or an invitation to make an offer, to buy or sell the securities mentioned herein. Directors, officers, clients or employees of Keynote Capitals or its affiliates may have positions in securities covered in this report or in related investments. Keynote Capitals Ltd may also have proprietary trading positions in securities covered in this report or in related investments. Opinions and estimates mentioned herein, if any, are based on workings of Keynote Capitals only. Investors in the issue are advised to read the RHP carefully before subscribing to the issue. Keynote Capitals Ltd. or any of its directors, officers or employees shall not in any way be responsible for any loss arising from the use of this report. Investors are advised to apply their own judgment before acting on the contents of this report.