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Sesa Goa Ltd— BUY—179—INR

Sector — Mining
Regd.Off.— Sesa Ghor, 20 EDC Complex, Patto, Panjim, Goa-403 001
Listed — NSE, BSE.

Company overview—

Sesa Goa Ltd (SGL) established in 1954 exports approximately five million tons of iron ore, fines and lumps to customers in Japan, China and Europe from ports on both the east and west coasts of India. Later, company expanded operations by setting up a mini blast furnace and extending its mining operations to Karnataka. Sesa Kembla Coke Company (SKCC), engaged in manufacturing metallurgical coke, became a 100 per cent subsidiary of Sesa goa in FY98. During FY99, A. Narrain Mines became a wholly owned subsidiary of company. The company has a long-term objective of expanding its iron ore mining activities outside Goa. The company will also increase exports and achieve growth through the development of new mine. The company wants its engineering division and the river fleet, shipping and shipbuilding division to focus on providing support to the group operations. The management hopes to focus on cost reduction and better realization per ton in the short term. SGL operates through engineering, river fleet and shipping and shipbuilding divisions. The ore from Karnataka is exported through the ports at Goa and Chennai, while ore from Orissa is exported through the ports of Haldia and Paradeep. Company has a fully integrated shipping and chartering department that is capable of supplying the ore either on an FOB or CNF basis to customers worldwide. Its shipbuilding section is focused on in-house barge repairs and engineering support to river fleet and shipping operations. Company is an associate of the Japan-based Mitsui Group.

Products & Services—

Sesa Goa Limited, the flagship company of Sesa Group is India's largest exporter of iron ore in the private sector. For the past five decades, the Group has been involved in iron ore mining, beneficiation and exports, with a group turnover of around Rs. 4900 crores. Over the last decade, it has diversified into the manufacture of pig iron and metallurgical coke. The Group operates a 280,000 TPY metallurgical coke plant and a 250,000 TPY pig iron plant. Sesa Goa Limited has mining operations in Goa, Karnataka and Orissa. Sesa Goa's MetCoke Division manufactures metallurgical coke. It has 84 coke ovens with a capacity of 280,000 tonnes. Sesa has developed an energy recovery technology to manufacture coke, compliant with advanced global emission norms. Sesa Industries Limited manufactures pig iron. It has two blast furnaces with a capacity of 250,000 tonnes per year, manufacturing foundry and SG grades of pig iron.

Recent development—

It acquired Goa-based Dempo group's mining assets for Rs 17.50 billion in an all-cash deal. The deal inked with Sesa Goa includes mining leases, mining rights and related infrastructure in Goa.

Dempo group said they have signed a definitive share purchase agreement under which Sesa Goa has acquired all the outstanding common shares of V S Dempo & Co (P).

Sesa Goa is looking to raise about Rs 5.83 billion through issue of shares to the firm's promoters and its associates. Sesa Goa would seek shareholders approval for the proposal at its extraordinary general meeting scheduled to be held on July 9. The company said it would issue over 33 million shares to the company's promoters and its associates. The price of issue would be calculated on the basis of closing price as on June 9.

SESA Goa plans to export five lakh ton of iron ore fines from Goa this monsoon. This is the first time any mining company will be attempting to export iron ore fines from Goa during the monsoon. The company said that this is being done on an experimental basis. During the dry spells, they will transport iron ore fines through mooring dolphin at the port. It also said that there would be sheds covering the barges to prevent moisture from affecting the iron ore fines.

Financials—

Annual results for FY2008-09

Description	Amount(Rs. in lakhs)
Net Sales/Income from Operations	475488.00
Other Operating Income	2420.00
Increase/Decrease in Stock in trade and work in progress	-3844.00
Consumption of Raw Materials	39810.00
Purchase of traded goods	-
Employees Cost	8450.00
Depreciation	4410.00
Other Expenditure	187628.00
Total Expenditure	236454.00
Profit from Operations before Other Income, Interest & Exceptional Items	241454.00
Other Income	21715.00
Profit before Interest & Exceptional Items	263169.00
Interest	99.00
Profit after Interest but before Exceptional Items	263070.00
Exceptional items	-
Profit(+)/Loss(-) from Ordinary Activities before tax	263070.00
Tax Expense	68821.00
Net Profit(+)/Loss(-) from Ordinary Activities after tax	194249.00
Extraordinary Items	-
Net Profit (+) / Loss (-) for the period	194249.00
Dividend (%)	225
Face Value (in Rs.)	1.00
Paid-up Equity Share Capital	7872.00
Reserves excluding Revaluation Reserves	443906.00

Basic EPS before Extraordinary items (in Rs.)	24.68
Diluted EPS before Extraordinary items (in Rs.)	24.68
Basic EPS after Extraordinary items (in Rs.)	24.68
Diluted EPS after Extraordinary items (in Rs.)	24.68
Public Shareholding (Number of Shares)	384314900.00
Public Shareholding (%)	48.82

Valuation—

At current market price, stock is trading at 6.12 P/E multiple of its FY2010 estimated earnings. We recommend investors to buy “Sesa Goa Limited” with medium to long term investment horizon.

We invite Readers to send Valuable feedback, stock and subscription queries at E-mail Id- investment_guru1@yahoo.com

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