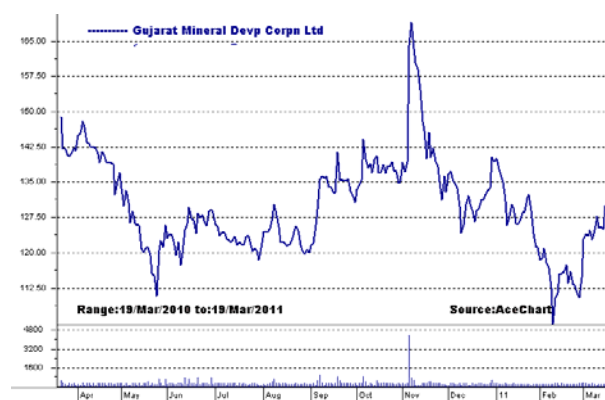




<b>Report Date</b>	<b>21st March 2011</b>
<b>Company Name</b>	<b>GMDC Ltd</b>
<b>Recommendation</b>	<b>Buy at CMP Rs 129 (Medium risk-Medium return)</b>
<b>Target price</b>	<b>Rs 146</b>
<b>Stop loss</b>	<b>RS 117</b>



### Company profile

GMDC Ltd is engaged in mining and mineral processing business. The company is the sole merchant seller for Lignite in India. Along with Lignite, company is also in mining of various other minerals like Bauxite, Fluorspar, and Manganese etc. It has a lignite fueled 125MW power plant.

### Recent Developments

- On the back of increased sales of lignite and bauxite, GMDC registered good growth in Q3FY11. Top-line of the company stood at Rs 360 crores up 33% YoY and 45% QoQ and bottom-line of the company has registered 42% rise stood at Rs 101 crores in the December ending quarter. On the production front, the lignite production witnessed a growth of 16% YOY at 24.80 lakh MT.
- Currently It is mining 8-9 MT per annum lignite from its five operative mines. In order to capitalize on the growing demand for lignite, the company is under the process of commencing operation at 3 more mines enhancing capacity by 3 million tons by FY12. Moreover GMDC is proposing to set up a pyrite removal plant of 1.5 million tonnes per annum capacity at its Bhavnagar mines to enhance the lignite quality and in turn would benefit the end users.
- GMDC, has recently signed a deal to sell bauxite to Vedanta for its alumina plant in Orissa, will commence bauxite mining at Mewasa with an estimated reserves of 5 lakh tonnes, thus adding up to its top-line in the near future
- GMDC is also proposing to set up a lime-crushing plant of 2 lakh MT per annum capacity at its Panandhro Lignite mines,

Key Details (Rs)	
Share Capital (Rs. Cr)	63.6
Face value	2
52 week H/L	129
Market Cap ( Rs. Cr)	172.7/101.5
Basic /Diluted EPS(TTM)	4102
Dividend declared(Rs)	11.09
P/E ratio(X)	2.50
P/BV ratio(X)	11.59
Industry P/E	2.49
Share Holding pattern as on Dec'10	
Promoter (%)	74
FII (%)	3.32
Others (%)	22.68

which would enhance the quality of limestone for cement industry and power plant.

- In power segment company has lined up to add on further 80 MW of Wind Power capacity in phases to be completed by end of FY12. The company has also branched out in the area of solar power and it is proposed to set up a 5 MW solar power project by FY13.
- GMDC has decided to move out of Gujarat and has initiated steps to acquire coal mines in India.
- GMDC has drawn up plans to enter mineral based industries such as aluminum production, alumina chemicals, zeolite, cement etc.
- Recently an MoU was signed between the Saskatchewan Province, world's largest producer of potash, and GMDC for the exchange of scientific, technical and regulatory information in the fields of energy and value-added industries related to mineral resources

Particular	Dec'10	Dec'09	%chg	Sep'10	%Chg
(Rs) in Cr			YoY		QoQ
Net sales	360.4	269.7	33.6%	249.1	44.7%
Oth op inc.	0.0	0.0		0.0	
Total Exp	360.4	269.7	33.6%	249.1	44.7%
PBDIT	197.5	155.7	26.8%	138.1	43.0%
Oth inc	162.9	114.0	42.9%	111.0	46.7%
Dep	16.3	17.2	-5.1%	25.3	-35.5%
Interest	5.9	12.3	-52.0%	5.6	5.0%
PBT	2.9	6.0	-51.5%	3.5	-16.9%
Tax	149.6	103.1	45.0%	87.9	70.3%
PAT	48.1	32.0	50.6%	32.0	50.3%
PBDITM	101.5	71.2	42.5%	55.8	81.8%
PATM	45.2%	42.3%	293bp	44.6%	63bp

### Concerns

- Last year Govt. of Gujarat (GoG) had proposed a CSR contribution of 30% of its PBT for social economic development. However, this has not been actually implemented yet due to absence of identified projects but may cause variability in the earnings in future.
- The changes in policies of the GoG, and those relating to environmental issues & mining industry can impact GMDC.

### Technical View & Recommendation

The stock has shown smart recovery from its lower level of 101 and gaining strength with increasing volumes. Small resistance is placed at 133 level, a confirmatory breakout above this level will take the stock to the highs of 143-146. RSI trading with upward bias also supports the bull run of the stock in the near term. We recommend a buy on the stock with stoploss at 117 for the target of 146

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