

MOIL

Refer to important disclosures at the end of this report

Results beat estimates but no near-term triggers; maintain Hold

CMP: Rs 149
as of (August 24, 2020)TP: Rs 163 (▲)
12 months

Rating: HOLD (■)

Upside: 9.4 %

- MOIL's expansion plans have been delayed for at least 5 to 6 months, assuming that the lockdown is over by August 31 and work resumes normally. However, in case normalcy is not restored by then, the expansion plan may be delayed further, eluding volume growth.
- Q1 beat our estimates. EBITDA/t of ₹3,330/t (yoy/qoq: -15%/+15x) was significantly ahead of our estimate of (-) 3,086/t, primarily driven by negative RM costs. Other operating expense was also low but will pick up on higher volumes going forward.
- Manganese Ore port stocks in China are still higher than the threshold of 4mt level, indicating weakness in near-term pricing. With resumption of mining operations in S. Africa, we believe that oversupply in the domestic market may continue for a while.
- We have increased our FY21E EBITDA by 27% due to strong Q1. We have tweaked our EBITDA estimates for FY22/23 marginally to reflect a small uptick in our TP from Rs160 to Rs163 at 4x FY22E EBITDA. Net cash of Rs 74/sh provides support to the stock, but the lack of near term trigger restricts upside. We maintain Hold.

Lockdown to affect capex and volume growth: Commissioning high speed shafts at Balaghat mines and deepening of shaft at Gumgaon mines have been delayed substantially. Balaghat was for commissioning in Jan'21 and Gumgaon was due in June'21. We believe that the revised timelines for commissioning these expansion plans could be beyond FY22. While the company continues to pursue its long term target of achieving 2.5mt production in the next 5 years, we believe that there will be time and cost overruns in achieving the target. The company has not provided any specific guidance for FY21 production/sales volumes as its operations continue to hinge on the complete removal of the lockdown. Even current growth plans are on the basis of normalcy being restored by August 31.

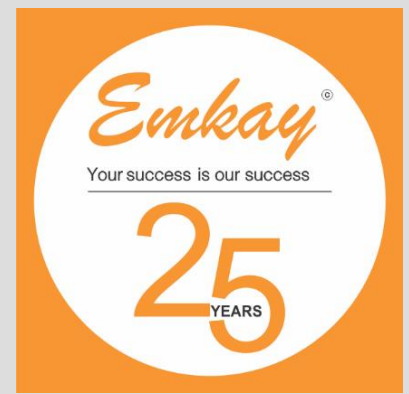
Outlook and valuation: While the Chinese steel production rate has been close to its all-time high at around 3mt per day, global Manganese ore prices are still correcting. In response, domestic prices have also corrected. The stock is trading at 3.3x/1.8x our FY22/23 Ebitda estimates and cash represents about 50% of its current market cap. However, in absence of volume growth, delayed expansion plans and weak pricing environment, the stock lacks near-term triggers. We maintain Hold on the back of inexpensive valuations and cash rich balance sheet. Weaker-than-expected Manganese ore prices and weak Chinese steel production will be negative.

Please see our sector model portfolio (Emkay Alpha Portfolio): [Metals & Mining \(page 10\)](#)

Financial Snapshot (Consolidated)

(Rs mn)	FY19	FY20	FY21E	FY22E	FY23E
Revenue	14,407	10,381	10,429	13,521	16,635
EBITDA	6,003	2,555	2,789	4,533	7,281
EBITDA Margin (%)	41.7	24.6	26.7	33.5	43.8
APAT	4,785	2,482	2,375	3,696	5,795
EPS (Rs)	18.6	10.5	10.0	15.6	24.4
EPS (% chg)	13.4	(43.7)	(4.3)	55.6	56.8
ROE (%)	16.3	8.5	8.4	12.4	17.4
P/E (x)	8.0	14.3	14.9	9.6	6.1
EV/EBITDA (x)	2.7	6.8	6.1	3.3	1.8
P/BV (x)	1.2	1.3	1.2	1.1	1.0

Source: Company, Emkay Research



Change in Estimates

EPS Chg FY21E/FY22E (%)	28/5
Target Price change (%)	1.9
Target Period (Months)	12
Previous Reco	HOLD

Emkay vs Consensus

	EPS Estimates	
	FY21E	FY22E
Emkay	10.0	15.6
Consensus	12.5	17.4
Mean Consensus TP (12M)	Rs 171	

Stock Details

Bloomberg Code	MOIL IN
Face Value (Rs)	10
Shares outstanding (mn)	237
52 Week H/L	170 / 86
M Cap (Rs bn/USD bn)	35 / 0.48
Daily Avg Volume (nos.)	604,439
Daily Avg Turnover (US\$ mn)	1.2

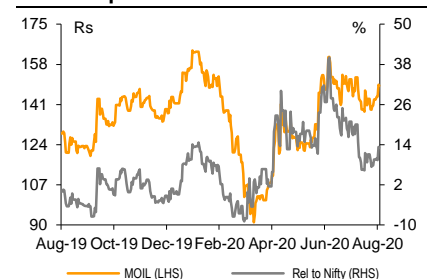
Shareholding Pattern Jun '20

Promoters	64.4%
FII's	3.1%
DII's	15.6%
Public and Others	17.0%

Price Performance

(%)	1M	3M	6M	12M
Absolute	7	20	11	24
Rel. to Nifty	5	(6)	15	17

Relative price chart



Source: Bloomberg

This report is solely produced by Emkay Global. The following person(s) are responsible for the production of the recommendation:

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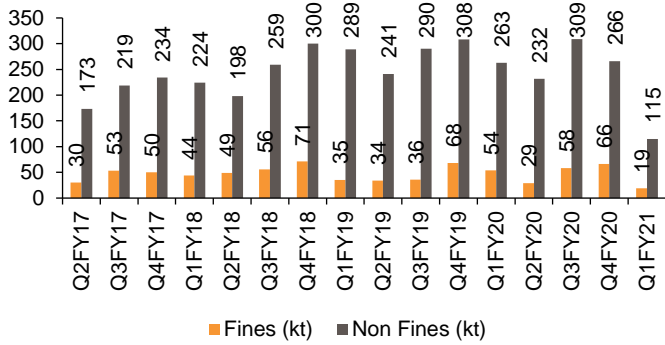
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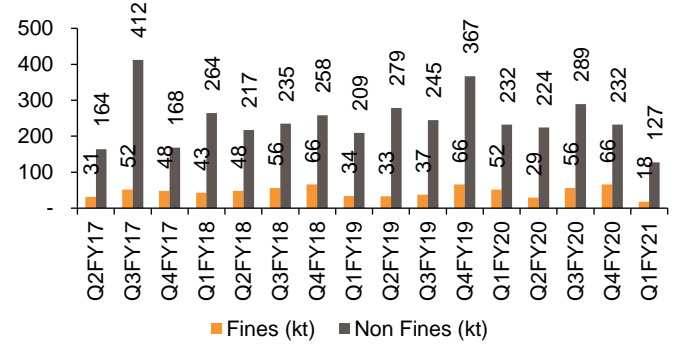
Story in Charts

Exhibit 1: Production affected by Covid-19



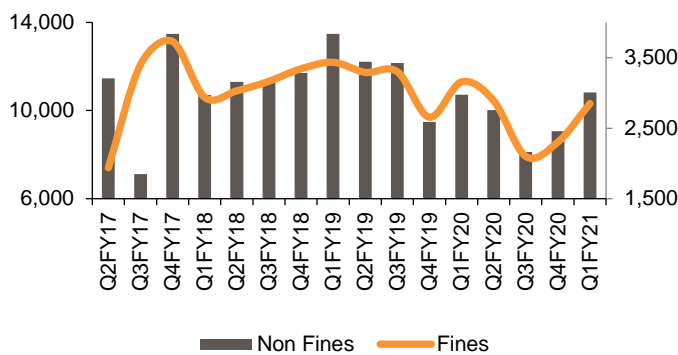
Source: Company, Emkay Research

Exhibit 2: Sales also affected by Covid-19



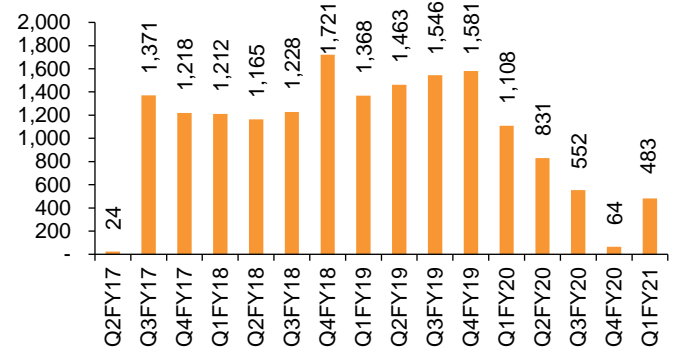
Source: Company, Emkay Research

Exhibit 3: ASP has bounced back for fines and non-fines



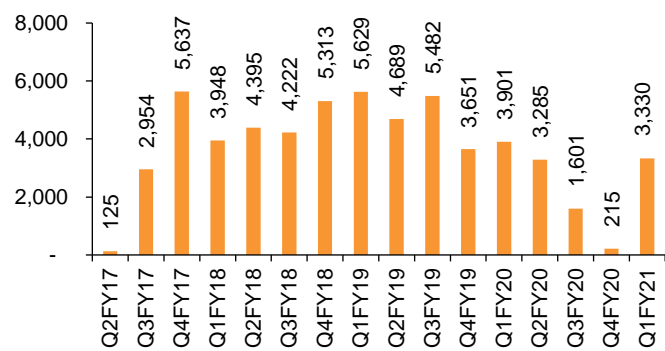
Source: Company, Emkay Research

Exhibit 4: EBITDA (Rs mn) up due to strong price hike in May



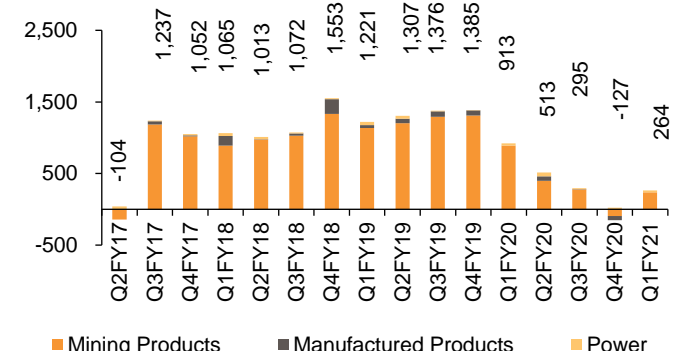
Source: Company, Emkay Research

Exhibit 5: Higher EBITDA/t driven by ASP hike, despite low volumes



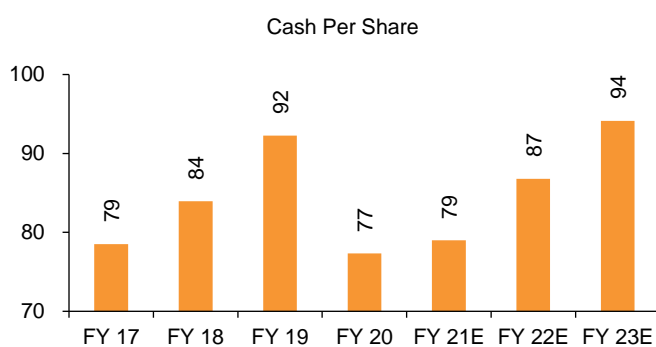
Source: Company, Emkay Research

Exhibit 6: Segment wise EBIT (Rs mn)



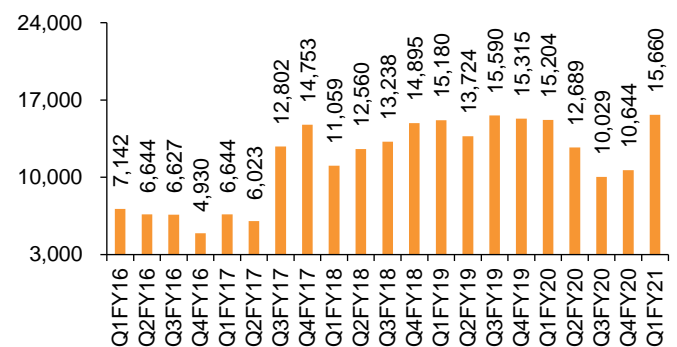
Source: Company, Emkay Research

Exhibit 7: Cash per share not expected to improve back soon



Source: Company, Emkay Research

Exhibit 8: Mn Ore price (Rs/t) ex Balaghat Mn 37.5%



Source: Steel mint, Emkay Research

Exhibit 9: Actual vs Estimates (Q1FY21)

Particulars	UoM	Actual	Estimates		% Variation		Comments
			Emkay	Consensus	Emkay	Consensus	
Revenue	Rs mn	1,523	1,788	N.A.	-15%	N.A.	Lower ASP leading to lower revenue
EBITDA	Rs mn	483	(411)	N.A.	-218%	N.A.	Higher due to lower operating expenses
EBITDA Margin	(%)	32%	-23%	N.A.	5,468 bps	N.A.	
PAT	Rs mn	19	(173)	N.A.	-111%	N.A.	Higher EBITDA leading to higher PAT

Source: Emkay Research

Exhibit 10: Consolidated Financial statements (Rs mn)

	Q1FY20	Q2FY20	Q3FY20	Q4FY20	Q1FY21	abs Yoy	YoY%	abs Qoq	QoQ%
Revenue	2,801	2,531	2,562	2,487	1,523	-1277	-46%	-963	-39%
Expenditure									
RM Cost	110	70	95	110	1	-109	-99%	-109	-99%
Chg. in stocks	-274	-107	-99	-204	-591	-317	116%	-388	190%
Employee cost	1,036	1,004	1,061	1,526	1,087	51	5%	-439	-29%
Other expenses	822	734	952	991	544	-278	-34%	-447	-45%
Total Expenses	1,693	1,700	2,010	2,423	1,040	-652	-39%	-1382	-57%
EBITDA	1,108	831	552	64	483	-625	-56%	419	655%
Depreciation	195	319	258	191	219	24	13%	28	15%
Other Income	487	532	449	343	257	-230	-47%	-86	-25%
PBT	1,401	1,045	743	216	521	-880	-63%	305	141%
Tax expense	494	159	189	81	2	-492	-100%	-79	-97%
Exceptional	0	0	0	0	-500				
Net income	907	886	555	135	19	-888	-98%	-116	-86%
EPS	3.52	3.44	2.15	0.57	0.08	-3	-98%	0	-86%

Source: Company, Emkay Research

Exhibit 11: Margins Consolidated

	Q1FY20	Q2FY20	Q3FY20	Q4FY20	Q1FY21	YoY (bps)	QoQ (bps)
EBITDA	40%	33%	22%	3%	32%	-786 bps	2,913 bps
EBT	50%	41%	29%	9%	34%	-1,580 bps	2,552 bps
PAT	32%	35%	22%	5%	1%	-3,114 bps	-418 bps
Effective Tax Rate	35%	15%	25%	38%	0%	-3,481 bps	-3,722 bps

Source: Company, Emkay Research

Highlights of the Conference Call

- **Demand:** Sales remained weak during the pandemic but progressively improved. May was better than April, and June was better than May. However, July was comparably weaker than June. Management expects August to be better than July. The mixed trends on a month of month basis has prevented management from providing any guidance for the year. However, it is hopeful that the situation will likely improve going forward.
- **International pricing:** The pricing of Manganese ore in the international market has dropped from \$6/dmu to sub \$4/dmu. However, it has in the past dropped to as low as \$3/dmu before a supply response was seen and production cuts/mine closures were implemented to control the slide in the prices. However, this time, management believes that the bottom has been hit in terms of pricing and expects reversal from here, but the timing is little difficult to pin point.
- **Inventory:** MOIL is carrying an inventory of 170kt. It has liquidated only 8kt inventory during Q1. Chinese-Manganese ore port stocks remain higher than the psychological level of 4mt, which generally determines the direction of Manganese ore prices. Inventory above 4mt typically points to weak pricing. Management indicated that the Chinese port inventory of Manganese ore is higher than 4mt.
- **EMD segment:** R&D activities continue in the Electrolytic Manganese Di-oxide (EMD) segment in which MOIL is the only producer in India. The plant capacity for production of EMD is 1,600mt of which only 925mt was produced last year as the plant is quite old.
- **Inventory valuation:** During Q1, inventory was valued on a realizable value (NRV) basis as compared to cost as the NRV had fallen below the cost. NRV for inventory was lower at Rs9,800/t against the cost of production, which was upwards of Rs10,000/t.
- **Operating Costs:** Operating costs were low during the quarter and with increasing production, the operating costs are bound to rise. Around 50% of the total costs are fixed costs. Rs500mn exceptional expense pertains to the donation given to PM Cares and CM Relief funds. The same was shown as an exceptional item.
- **Cash balance and Receivables:** Despite lower off-take, the receivables continue to hover at Rs1.3bn vs. Rs1.35bn in March. Due to weak macro environment, management expects receivables to increase as the sales volume picks up. MOIL has a cash balance of Rs17bn. However, management does not plan any buyback or a special dividend anytime in the near future. The cash will likely be deployed in the expansion program.

Exhibit 12: Per Tonne Analysis

	Q1 FY20	Q2 FY20	Q3 FY20	Q4 FY20	Q1FY21	% yoy	% qoq
ASP	9,862	10,004	7,427	8,344	10,506	7%	26%
Total RM Cost	-579	-148	-10	-315	-4,071	603%	1194%
Employee cost	3,646	3,968	3,075	5,120	7,494	106%	46%
Other expenses	2,894	2,899	2,760	3,324	3,752	30%	13%
Total Expenses	5,961	6,719	5,825	8,130	7,176	20%	-12%
EBITDA	3,901	3,285	1,601	215	3,330	-15%	1452%
Depreciation	685	1,259	747	640	1,509	120%	136%
Other Income	1,717	2,103	1,300	1,151	1,774	3%	54%
PBT	4,932	4,129	2,154	725	3,594	-27%	395%
Tax	1,740	627	547	273	17	-99%	-94%
PAT	3,193	3,502	1,607	452	130	-96%	-71%

Source: Company, Emkay Research

Exhibit 13: Operational Details

	Q1FY20	Q2FY20	Q3 FY20	Q4 FY20	Q1FY21	% yoy	% qoq
Sales Value (Rs mn)							
Fines	164	84	118	152	51	-69%	-66%
Non Fines	2,486	2,244	2,346	2,101	1,373	-45%	-35%
Total	2,651	2,328	2,464	2,253	1,425	-46%	-37%
Sales Volume (Lakh tons)							
Fines	0.52	0.29	0.56	0.66	0.18	-65%	-73%
Non Fines	2.32	2.24	2.89	2.32	1.27	-45%	-45%
Total	2.84	2.53	3.45	2.98	1.45	-49%	-51%
Realization (Rs/t)							
Fines	3,156	2,890	2,100	2,303	2,850	-10%	24%
Non Fines	10,717	10,017	8,118	9,057	10,814	1%	19%
Blended	9,333	9,200	7,141	7,561	9,826	5%	30%
EBITDA/t	3,901	3,285	1,601	215	3,330	-15%	1452%
Op.Expenses/t	-5,961	-6,719	-5,825	-8,130	-7,176	20%	-12%

Source: Company, Emkay Research

Exhibit 14: Change in Key Assumptions and Estimates

Financials (Rs mn)	UoM	FY21E			FY22E			FY23E		
		Old	New	% change	Old	New	% change	Old	New	% change
Sales volume	mt	1.02	1.03	1.3%	1.4	1.26	-10.1%	1.26	1.31	3.3%
NSR	Rs/t	9,645	10,098	4.7%	10,504	10,745	2.3%	13,507	12,745	-5.6%
Revenue	Rs mn	9,829	10,429	6.1%	14,704	13,521	-8.0%	17,068	16,635	-2.5%
EBITDA	Rs mn	2,200	2,789	26.8%	4,547	4,533	-0.3%	7,137	7,281	2.0%
EBITDA/t	Rs/t	2,159	2,700	25.1%	3,248	3,602	10.9%	5,648	5,579	-1.2%
Net Profit	Rs mn	1,849	2,375	28.5%	3,524	3,696	4.9%	5,729	5,795	1.2%
EPS	Rs/Share	7.8	10.0	28.5%	14.9	15.6	4.9%	24.1	24.4	1.3%

Source: Emkay Research

Exhibit 15: Valuation

	UoM	Mar-22E
EBITDA	Rs mn	4,533
Exp EV/EBITDA Multiple	x	4
Expected EV	Rs mn	18,131
Add Cash	Rs mn	20,593
Less Debt	Rs mn	0
Mkt Cap Expected	Rs mn	38,725
Weight		
No. of Shares	mn	237
Fair Value	Rs/share	163
CMP	Rs/share	149
Upside %		10%

Source: Emkay Research

Exhibit 16: Peer Comparisons

Stock	M.Cap	PE (x)			EV/EBITDA (x)			PB (x)			ROE (x)		
	USD mn	CY20/ FY21	CY21/ FY22	CY22/ FY23	CY20/ FY21	CY21/ FY22	CY22/ FY23	CY20/ FY21	CY21/ FY22	CY22/ FY23	CY20/ FY21	CY21/ FY22	CY22/ FY23
CIL*	11,624	5.9	3.6	3.1	3.5	2.0	1.4	2.1	1.6	1.3	38.2	49.9	46.2
NMDC*	3,953	8.7	7.5	6.2	5.9	5.0	4.1	1.0	0.9	0.8	11.8	12.8	14.1
MOIL*	477	14.9	9.6	6.1	6.0	3.3	1.8	1.2	1.1	1.0	8.4	12.4	17.4

Source: Bloomberg, Emkay Research. Note: (*) denotes Emkay Estimates, CIL: Coal India

Key Financials (Consolidated)**Income Statement**

Y/E Mar (Rs mn)	FY19	FY20	FY21E	FY22E	FY23E
Revenue	14,407	10,381	10,429	13,521	16,635
Expenditure	8,403	7,825	7,640	8,989	9,354
EBITDA	6,003	2,555	2,789	4,533	7,281
Depreciation	668	962	895	965	1,035
EBIT	5,335	1,594	1,893	3,568	6,246
Other Income	1,908	1,811	1,109	1,372	1,498
Interest expenses	0	0	0	0	0
PBT	7,243	3,405	3,002	4,940	7,744
Tax	2,459	923	627	1,243	1,949
Extraordinary Items	0	0	0	0	0
Minority Int./Income from Assoc.	0	0	0	0	0
Reported Net Income	4,785	2,482	2,375	3,696	5,795
Adjusted PAT	4,785	2,482	2,375	3,696	5,795

Balance Sheet

Y/E Mar (Rs mn)	FY19	FY20	FY21E	FY22E	FY23E
Equity share capital	2,576	2,373	2,373	2,373	2,373
Reserves & surplus	28,251	25,261	26,331	28,722	33,211
Net worth	30,827	27,634	28,704	31,095	35,584
Minority Interest	0	0	0	0	0
Loan Funds	162	193	193	193	193
Net deferred tax liability	0	0	0	0	0
Total Liabilities	30,989	27,827	28,897	31,288	35,777
Net block	4,319	5,893	5,998	6,032	5,997
Investment	24,355	18,465	15,965	16,565	17,765
Current Assets	4,421	6,218	9,257	11,942	13,942
Cash & bank balance	213	1,050	3,947	5,192	5,742
Other Current Assets	1,816	2,003	1,978	2,444	2,914
Current liabilities & Provision	5,059	5,152	5,425	7,353	7,029
Net current assets	(639)	1,067	3,832	4,588	6,913
Misc. exp	0	0	0	0	0
Total Assets	30,989	27,827	28,897	31,288	35,777

Cash Flow

Y/E Mar (Rs mn)	FY19	FY20	FY21E	FY22E	FY23E
PBT (Ex-Other income) (NI+Dep)	7,243	3,405	3,002	4,940	7,744
Other Non-Cash items	5	0	0	0	0
Chg in working cap	721	(868)	132	488	(1,775)
Operating Cashflow	4,284	2,575	3,402	5,150	5,055
Capital expenditure	(2,083)	(2,014)	(1,700)	(2,000)	(2,000)
Free Cash Flow	2,201	561	1,702	3,150	3,055
Investments	0	5,921	2,500	(600)	(1,200)
Other Investing Cash Flow	0	0	0	0	0
Investing Cashflow	(2,539)	3,906	800	(2,600)	(3,200)
Equity Capital Raised	0	(3,052)	0	0	0
Loans Taken / (Repaid)	0	0	0	0	0
Dividend paid (incl tax)	(1,728)	(1,569)	(1,305)	(1,305)	(1,305)
Other Financing Cash Flow	0	0	0	0	0
Financing Cashflow	(1,728)	(4,621)	(1,305)	(1,305)	(1,305)
Net chg in cash	17	1,861	2,897	1,245	550
Opening cash position	242	213	1,050	3,947	5,192
Closing cash position	213	1,050	3,947	5,192	5,742

Source: Company, Emkay Research

Key Ratios

Profitability (%)	FY19	FY20	FY21E	FY22E	FY23E
EBITDA Margin	41.7	24.6	26.7	33.5	43.8
EBIT Margin	37.0	15.4	18.2	26.4	37.5
Effective Tax Rate	33.9	27.1	20.9	25.2	25.2
Net Margin	33.2	23.9	22.8	27.3	34.8
ROCE	24.5	11.6	10.6	16.4	23.1
ROE	16.3	8.5	8.4	12.4	17.4
RoIC	148.3	34.0	32.1	63.1	99.2

Per Share Data (Rs)	FY19	FY20	FY21E	FY22E	FY23E
EPS	18.6	10.5	10.0	15.6	24.4
CEPS	21.2	14.5	13.8	19.6	28.8
BVPS	119.7	116.4	120.9	131.0	149.9
DPS	5.5	6.0	5.5	5.5	5.5

Valuations (x)	FY19	FY20	FY21E	FY22E	FY23E
PER	8.0	14.3	14.9	9.6	6.1
P/CEPS	7.0	10.3	10.8	7.6	5.2
P/BV	1.2	1.3	1.2	1.1	1.0
EV / Sales	1.1	1.7	1.6	1.1	0.8
EV / EBITDA	2.7	6.8	6.1	3.3	1.8
Dividend Yield (%)	3.7	4.0	3.7	3.7	3.7

Gearing Ratio (x)	FY19	FY20	FY21E	FY22E	FY23E
Net Debt/ Equity	(0.7)	(0.7)	(0.6)	(0.7)	(0.6)
Net Debt/EBIDTA	(3.7)	(7.1)	(6.6)	(4.5)	(3.0)
Working Cap Cycle (days)	(21.6)	0.6	(4.0)	(16.3)	25.7

Growth (%)	FY19	FY20	FY21E	FY22E	FY23E
Revenue	8.9	(27.9)	0.5	29.7	23.0
EBITDA	12.7	(57.4)	9.1	62.5	60.6
EBIT	13.5	(70.1)	18.8	88.4	75.1
PAT	13.4	(48.1)	(4.3)	55.6	56.8

Quarterly (Rs mn)	Q1FY20	Q2FY20	Q3FY20	Q4FY20	Q1FY21
Revenue	2,801	2,531	2,562	2,487	1,523
EBITDA	1,108	831	552	64	483
EBITDA Margin (%)	39.6	32.8	21.6	2.6	31.7
PAT	907	886	555	135	19
EPS (Rs)	3.5	3.4	2.2	0.5	0.1

Source: Company, Emkay Research

Shareholding Pattern (%)	Sep-19	Dec-19	Jan-20	Mar-20	Jun-20
Promoters	65.7	65.7	64.4	64.4	64.4
FIs	3.5	3.7	3.1	2.9	3.1
DIs	13.7	13.5	14.9	14.9	15.6
Public and Others	17.0	17.1	17.7	17.9	17.0

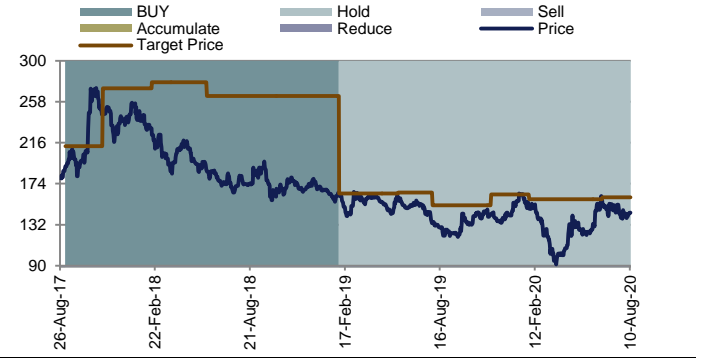
Source: Capitaline

RECOMMENDATION HISTORY TABLE

Date	Closing Price	TP	Period (months)	Rating	Analyst
7-Jul-20	149	160	12m	Hold	Vishal Chandak
19-Jun-20	153	160	12m	Hold	Vishal Chandak
1-Feb-20	148	158	12m	Hold	Vishal Chandak
21-Nov-19	143	163	12m	Hold	Vishal Chandak
2-Aug-19	135	152	12m	Hold	Vishal Chandak
29-May-19	156	165	12m	Hold	Vishal Chandak
6-Feb-19	164	164	12m	Hold	Vishal Chandak
31-May-18	187	264	12m	Buy	Goutam Chakraborty
8-May-18	197	278	12m	Buy	Goutam Chakraborty
16-Feb-18	224	278	12m	Buy	Goutam Chakraborty
15-Nov-17	249	272	12m	Buy	Goutam Chakraborty
1-Nov-17	264	213	12m	Buy	Goutam Chakraborty
11-Sep-17	199	213	12m	Buy	Goutam Chakraborty
5-Sep-17	192	213	12m	Buy	Goutam Chakraborty

Source: Company, Emkay Research

RECOMMENDATION HISTORY CHART



Source: Bloomberg, Company, Emkay Research

Emkay Alpha Portfolio – Metals & Mining



Analyst: Vishal Chandak

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Sector

Metals and Mining

Analyst bio

Vishal Chandak is a CA and MBA (Finance). He brings in over 16 years of experience, including seven years in the corporate side, with balance being on both the buy side and sell side. Currently, his team tracks 12 stocks in the Metals and Mining space.

EAP sector portfolio

Company Name	BSE200 Weight	EAP Weight	OW/UW (%)	OW/UW (bps)	EAP Weight (Normalised)
Metals & Mining	2.57	2.57	0%	0	100.00
Coal India	0.40	0.40	0%	0	15.74
Hindalco	0.46	0.46	0%	0	17.93
Hindustan Zinc	0.08	0.08	0%	0	3.01
Jindal Stainless	0.00	0.01	NA	1	0.31
Jindal Stainless Hisar	0.00	0.00	NA	0	0.00
JSW Steel	0.46	0.48	5%	2	18.82
MOIL	0.00	0.00	NA	0	0.00
National Aluminium Co	0.06	0.00	-100%	-6	0.00
NMDC	0.13	0.13	-5%	-1	4.90
SAIL	0.07	0.07	3%	0	2.83
Tata Steel	0.52	0.54	4%	2	21.10
Vedanta	0.38	0.39	3%	1	15.37
Cash	0.00	0.00	NA	0	0.0

Source: Emkay Research

* Not under coverage: Equal Weight

■ High Conviction/Strong Over Weight ■ High Conviction/Strong Under Weight

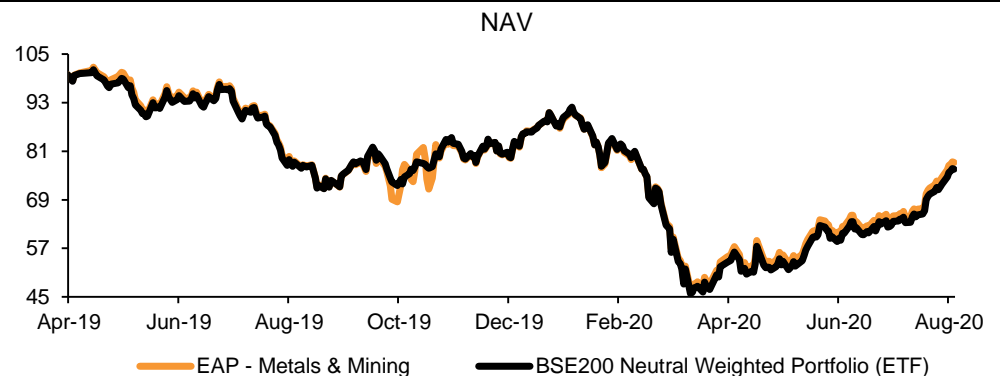
Sector portfolio NAV

	Base					Latest
	1-Apr-19	19-Nov-19	20-Feb-20	22-May-20	22-Jul-20	21-Aug-20
EAP - Metals & Mining	100.0	79.6	80.7	54.1	65.5	78.3
BSE200 Neutral Weighted Portfolio (ETF)	100.0	79.8	81.0	52.6	64.1	76.5

*Performance measurement base date 1st April 2019

Source: Emkay Research

NAV chart



Source: Emkay Research

Please see our model portfolio (Emkay Alpha Portfolio): [SMID](#)

Please see our model portfolio (Emkay Alpha Portfolio): [Nifty](#)

“Emkay Alpha Portfolio – SMID and Nifty are a supporting document to the Emkay Alpha Portfolios Report and is updated on regular intervals”

Emkay Rating Distribution

Ratings	Expected Return within the next 12-18 months.
BUY	Over 15%
HOLD	Between -5% to 15%
SELL	Below -5%

Completed Date: 25 Aug 2020 04:19:49 (SGT)

Dissemination Date: 25 Aug 2020 04:20:49 (SGT)

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