

Coal India

Refer to important disclosures at the end of this report

Strong all-round performance; maintain Buy

- Coal India reported strong all-round performance, driven by strong FSA as well as E-auction realization, and significantly lower-than-expected RM consumption.
- Revenue at Rs250bn (up 16% yoy/up 13% qoq) was driven by yoy/qoq growth of 13%/2% in the FSA realization. The blended realization at Rs1,517/t was also up yoy/qoq basis by 11%/1%.
- Overall costs remained under control due to lower-than-expected RM costs driving down the sequential cost per ton by 9.1% to Rs1,264/t.
- We have modelled Rs22/share dividend, in line with its past dividend track record, implying a 10% dividend yield at the CMP. We value the stock at 6x FY20E EV/EBITDA. Maintain Buy with TP of Rs 289.
- Both production of 156mt (yoy up 3%, qoq up 30%) and dispatches of 154 mt (up 1% yoy, up 12% qoq) were in line with expectations. FSA sales at 136mt (up 11% yoy, up 16% qoq) overshadowed the E-auction sales which were down by 43% on a yoy basis and down 10% sequentially.
- For the period Apr-Dec'18, coal production at 412.44mt was up 7.4%, while dispatches at 444.63mt was higher by 5.5% on yoy basis.
- Excluding the OBR provision, EBITDA/t at Rs518 was higher 42.5% on a yoy basis and 50.8% on qoq basis.
- We believe that on a long-term basis, continued restriction on evacuation will limit the overall potential of the company. However, given the strong cash flows, we expect the company to declare strong dividends going forward.
- At the CMP of Rs 223, we build in 10% dividend yield and believe that the stock is attractively priced at current levels. We value Coal India at 6x FY20E EV/EBITDA. Maintain Buy.

CMP	Target Price
Rs 223 as of (February 12, 2019)	Rs 289 (▼) 12 months
Rating	Upside
BUY (■)	29.5 %

Change in Estimates

EPS Chg FY19E/FY20E (%)	-/-
Target Price change (%)	(13)
Target Period (Months)	12
Previous Reco	BUY

Emkay vs Consensus

EPS Estimates		
	FY19E	FY20E
Emkay	23.1	21.9
Consensus	26.0	26.8
Mean Consensus TP (12M)	Rs 314	

Stock Details

Bloomberg Code	COAL IN
Face Value (Rs)	10
Shares outstanding (mn)	6,207
52 Week H/L	317 / 214
M Cap (Rs bn/USD bn)	1,384 / 19.56
Daily Avg Volume (nos.)	6,068,472
Daily Avg Turnover (US\$ mn)	20.7

Shareholding Pattern Dec '18

Promoters	72.9%
FIIIs	6.0%
DIIIs	17.6%
Public and Others	3.5%

Price Performance

(%)	1M	3M	6M	12M
Absolute	(4)	(16)	(19)	(26)
Rel. to Nifty	(4)	(18)	(15)	(28)

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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Financial Snapshot (Consolidated)

(Rs mn)	FY16	FY17	FY18	FY19E	FY20E
Revenue	794,204	798,631	858,624	956,408	1,038,342
EBITDA	187,113	122,830	169,507	219,501	221,039
EBITDA Margin (%)	23.6	15.4	19.7	23.0	21.3
APAT	142,679	92,800	144,042	143,652	135,901
EPS (Rs)	22.6	14.9	23.2	23.1	21.9
EPS (% chg)	4.0	(33.8)	55.2	(0.3)	(5.4)
ROE (%)	38.4	29.7	52.6	57.5	60.2
P/E (x)	9.9	14.9	9.6	9.6	10.2
EV/EBITDA (x)	5.5	8.5	6.3	5.5	5.5
P/BV (x)	4.2	4.8	5.3	5.8	6.5

Source: Company, Emkay Research

Exhibit 1: Actual vs Estimates (Q3FY19)

Rs mn	Actual	Estimate (Emkay)	Consensus Estimate (Bloomberg)	% variation		Comment
				Emkay	Consensus	
Total Revenue	250458	244,490	238,275	2.4	5.1	Revenue in-line, EBITDA beat driven by lower RM cost, PAT beat driven by better than expected EBITDA.
EBITDA	67878	54,636	50,150	24.2	35.3	
EBITDA Margin (%)	27.1	22.3				
Emkay Net profit	45657	40,629	38,447	12.3	18.8	

Source: Company, Emkay Research

Exhibit 2: Quarterly Financials

Rs mn	Q3FY18	Q2FY19	Q3FY19	YoY (%)	QoQ (%)	YTD FY19	YTD FY18	YoY (%)
Revenue	216,433	221,981	250,458	15.7	12.8	715,048	589,533	21.3
Expenditure	(170,254)	(182,838)	(182,580)	7.2	(0.1)	(550,703)	(495,825)	11.1
as % of sales	78.7	82.4	72.9			77.0	84.1	
Consumption of RM	(23,023)	(29,937)	(19,358)	(15.9)	(35.3)	(76,669)	(77,395)	(0.9)
as % of sales	10.6	13.5	7.7			10.7	13.1	
Employee Cost	(87,532)	(89,535)	(95,176)	8.7	6.3	(280,693)	(259,797)	8.0
as % of sales	40.4	40.3	38.0			39.3	44.1	
Other expenditure	(59,700)	(63,366)	(68,046)	14.0	7.4	(193,341)	(158,632)	21.9
as % of sales	27.6	28.5	27.2			27.0	26.9	
EBITDA	46,179	39,142	67,878	47.0	73.4	164,345	93,708	75.4
Depreciation	(7,511)	(8,069)	(8,611)	14.6	6.7	(24,132)	(21,356)	13.0
EBIT	38,668	31,074	59,267	53.3	90.7	140,213	72,352	93.8
Other Income	8,409	20,113	11,633	38.3	(42.2)	43,846	26,582	64.9
Interest	(974)	(8)	(620)	(36.4)	7,549.4	(1,731)	(3,191)	(45.7)
PBT	46,102	51,178	70,281	52.4	37.3	182,328	95,743	90.4
Total Tax	(16,052)	(20,317)	(24,623)	53.4	21.2	(67,966)	(38,487)	76.6
Adjusted PAT	30,050	30,861	45,657	51.9	47.9	114,362	57,256	99.7
(Profit)/loss from JV's/Ass/MI	1	(14)	11			18	(4)	
Adj.PAT after MI	30,051	30,847	45,668	52.0	48.0	114,380	57,252	99.8
Extra ordinary items	-	-	-			-	-	
Reported PAT	30,051	30,847	45,668	52.0	48.0	114,380	57,252	99.8
Reported EPS	4.84	4.97	7.36	52.0	48.0	18	9	99.8

Margins (%)				(bps)	(bps)			(bps)
EBIDTA	21	18	27	+577 bps	+947 bps	23.0	15.9	+709 bps
EBIT	17.9	14.0	23.7	+580 bps	+967 bps	19.6	12.3	+734 bps
EBT	21.3	23.1	28.1	+676 bps	+501 bps	25.5	16.2	+926 bps
PAT	13.9	13.9	18.2	+435 bps	+433 bps	16.0	9.7	+628 bps
Effective Tax rate	34.8	39.7	35.0	+22 bps	-466 bps	37.3	40.2	-292 bps

Source: Company, Emkay Research

Exhibit 3: Segment Financials

Volume	Q3FY18	Q2FY19	Q3FY19	YoY (%)	QoQ (%)	YTDFY19	YTDFY18	YoY (%)
Dispatch	152	137	154	0.9	12.0	291	269	8.1
FSA	122	117	136	11.4	16.3	247	212	16.7
E-Auction	26.4	17.7	14.7	(44.4)	(17.1)	37	51	(26.6)
Total Washed Coal	2.8	2.4	2.9	5.0	19.7	5	6	(10.3)
Total	152	138	154	1.6	12.0	291	269	8.0
Production	152	120	156	2.6	30.4	256	232	10.6
Production	152	137	154	0.9	12.0	291	269	8.1

Realization

FSA	1,182	1,308	1,334	12.9	2.0	1,311	1,212	8.1
E-Auction	1,998	2,592	2,847	42.5	9.8	2,491	1,599	55.8
Total Washed Coal	2,975	2,602	2,866	(3.6)	10.1	2,513	3,103	(19.0)
Total	1,365	1,505	1,517	11.1	0.8	1,490	1,334	11.7

Segmental Revenue

FSA	144,000	152,840	181,250	25.9	18.6	324,000	256,720	26.2
E-Auction	52,680	45,830	41,710	(20.8)	(9.0)	92,400	80,820	14.3
Total Washed Coal	8,270	6,350	8,370	1.2	31.8	12,540	17,250	(27.3)
Total Revenue	207,080	207,120	233,830	12.9	12.9	433,100	359,120	20.6

Source: Company, Emkay Research

Exhibit 4: Volume & Realization

Volume & Realization	Q3FY18	Q2FY19	Q3FY19	YoY (%)	QoQ (%)	YTDFY19	YTDFY18	YoY (%)
FSA (mt)	122	117	136	11.4	16.3	383	334	14.8
Realisation Rs/t	1,182	1,308	1,334	12.9	2.0	1,319	1,201	9.8
E-auction (mt)	26	18	15	(44.4)	(17.1)	52	77	(32.7)
Realisation Rs/t	1,998	2,592	2,847	42.5	9.8	2,592	1,736	49.3
Washed coal(mt)	2.8	2.4	2.9	5.0	19.7	8	8	(5.2)
Realisation Rs/t	2,975	2,602	2,866	(3.6)	10.1	2,643	3,060	(13.6)
Other By-product(mt)	2	0.9	2	0.0	122.2	4	4	0.0
Realisation Rs/t	2,782	2,782	2,782	-	-	2,782	2,782	-
Total Production(mt)	152.1	119.6	156.0	2.6	30.4	412	384	7.4
Total Dispatches(mt)	152.4	137.3	153.8	0.9	12.0	445	421	5.5
Avg Realisation Rs/t	1,365.2	1,505.3	1,517.2	11.1	0.8	1,500	1,345	11.5

Source: Company, Emkay Research

Key Financials (Consolidated)**Income Statement**

Y/E Mar (Rs mn)	FY16	FY17	FY18	FY19E	FY20E
Revenue	794,204	798,631	858,624	956,408	1,038,342
Expenditure	607,091	675,801	689,118	736,907	817,303
EBITDA	187,113	122,830	169,507	219,501	221,039
Depreciation	28,259	29,091	30,664	36,556	42,203
EBIT	158,854	93,739	138,843	182,945	178,836
Other Income	59,406	54,818	46,583	45,130	37,166
Interest expenses	3,862	4,097	4,318	4,318	4,318
PBT	214,398	144,460	181,108	223,758	211,684
Tax	71,719	51,660	37,067	80,105	75,783
Extraordinary Items	0	0	(73,844)	0	0
Minority Int./Income from Assoc.	0	0	0	0	0
Reported Net Income	142,679	92,800	70,198	143,652	135,901
Adjusted PAT	142,679	92,800	144,042	143,652	135,901

Balance Sheet

Y/E Mar (Rs mn)	FY16	FY17	FY18	FY19E	FY20E
Equity share capital	63,164	62,074	62,074	62,074	62,074
Reserves & surplus	275,812	224,085	199,832	175,411	152,308
Net worth	338,976	286,159	261,906	237,485	214,382
Minority Interest	1,048	3,446	3,446	3,446	3,446
Loan Funds	11,921	2,968	2,968	2,968	2,968
Net deferred tax liability	(20,445)	(26,108)	(26,108)	(26,108)	(26,108)
Total Liabilities	331,499	266,466	242,212	217,791	194,688
Net block	205,494	250,647	309,983	423,427	461,224
Investment	29,019	46,635	51,299	56,429	62,072
Current Assets	810,183	794,735	769,735	688,819	729,889
Cash & bank balance	383,128	345,722	310,863	177,689	172,126
Other Current Assets	133,356	142,366	153,061	170,492	185,098
Current liabilities & Provision	750,252	825,551	888,804	950,883	1,058,496
Net current assets	59,931	(30,816)	(119,069)	(262,064)	(328,607)
Misc. exp	0	0	0	0	0
Total Assets	331,499	266,466	242,213	217,792	194,688

Cash Flow

Y/E Mar (Rs mn)	FY16	FY17	FY18	FY19E	FY20E
PBT (Ex-Other income) (NI+Dep)	154,992	89,642	60,681	178,627	174,518
Other Non-Cash items	0	0	0	0	0
Chg in working cap	(59,994)	59,004	53,394	9,820	60,980
Operating Cashflow	55,400	130,174	111,990	149,216	206,236
Capital expenditure	(61,308)	(39,055)	(90,000)	(150,000)	(80,000)
Free Cash Flow	(5,908)	91,119	21,990	(784)	126,236
Investments	(885)	(17,616)	(4,664)	(5,130)	(5,643)
Other Investing Cash Flow	0	0	0	0	0
Investing Cashflow	(2,787)	(1,853)	(48,080)	(110,000)	(48,477)
Equity Capital Raised	0	(1,090)	0	0	0
Loans Taken / (Repaid)	7,901	(8,952)	0	0	0
Dividend paid (incl tax)	(208,302)	(144,527)	(94,451)	(168,073)	(159,004)
Other Financing Cash Flow	0	0	0	0	0
Financing Cashflow	(204,262)	(158,666)	(98,769)	(172,391)	(163,322)
Net chg in cash	(151,649)	(30,345)	(34,859)	(133,174)	(5,563)
Opening cash position	534,777	376,067	345,722	310,863	177,689
Closing cash position	383,128	345,722	310,863	177,689	172,126

Source: Company, Emkay Research

Key Ratios

Profitability (%)	FY16	FY17	FY18	FY19E	FY20E
EBITDA Margin	23.6	15.4	19.7	23.0	21.3
EBIT Margin	20.0	11.7	16.2	19.1	17.2
Effective Tax Rate	33.5	35.8	20.5	35.8	35.8
Net Margin	18.0	11.6	16.8	15.0	13.1
ROCE	60.6	49.7	72.9	99.2	104.7
ROE	38.4	29.7	52.6	57.5	60.2
RoIC	(93.5)	(77.0)	(113.0)	(268.5)	(640.6)

Per Share Data (Rs)	FY16	FY17	FY18	FY19E	FY20E
EPS	22.6	14.9	23.2	23.1	21.9
CEPS	27.1	19.6	28.1	29.0	28.7
BVPS	53.7	46.1	42.2	38.3	34.5
DPS	27.4	19.9	13.0	23.1	21.9

Valuations (x)	FY16	FY17	FY18	FY19E	FY20E
PER	9.9	14.9	9.6	9.6	10.2
P/CEPS	8.2	11.4	7.9	7.7	7.8
P/BV	4.2	4.8	5.3	5.8	6.5
EV / Sales	1.3	1.3	1.3	1.3	1.2
EV / EBITDA	5.5	8.5	6.3	5.5	5.5
Dividend Yield (%)	12.3	8.9	5.8	10.4	9.8

Gearing Ratio (x)	FY16	FY17	FY18	FY19E	FY20E
Net Debt/ Equity	(1.1)	(1.2)	(1.2)	(0.7)	(0.8)
Net Debt/EBIDTA	(2.0)	(2.8)	(1.8)	(0.8)	(0.8)
Working Cap Cycle (days)	(148.5)	(172.1)	(182.8)	(167.8)	(176.0)

Growth (%)	FY16	FY17	FY18	FY19E	FY20E
Revenue	7.3	0.6	7.5	11.4	8.6
EBITDA	8.4	(34.4)	38.0	29.5	0.7
EBIT	6.3	(41.0)	48.1	31.8	(2.2)
PAT	3.9	(35.0)	(24.4)	104.6	(5.4)

Quarterly (Rs mn)	Q3FY18	Q4FY18	Q1FY19	Q2FY19	Q3FY19
Revenue	216,433	269,092	242,609	221,981	250,458
EBITDA	46,179	75,799	57,325	39,142	67,878
EBITDA Margin (%)	21.3	28.2	23.6	17.6	27.1
PAT	30,051	12,943	37,864	30,847	45,668
EPS (Rs)	4.8	2.1	6.1	5.0	7.4

Source: Company, Emkay Research

Shareholding Pattern (%)	Dec-17	Mar-18	Jun-18	Sep-18	Dec-18
Promoters	78.6	78.6	78.3	78.3	72.9
FIs	5.8	5.5	5.4	5.7	6.0
DIs	12.2	12.9	13.2	13.0	17.6
Public and Others	3.5	3.1	3.1	3.0	3.5

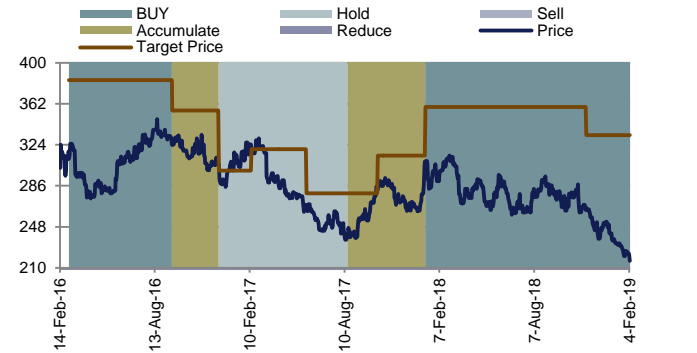
Source: Capitaline

RECOMMENDATION HISTORY TABLE

Date	Closing Price	TP	Period (months)	Rating	Analyst
14-Nov-18	266	333	12m	Buy	Kamal Sahoo
14-Aug-18	283	359	12m	Buy	Goutam Chakraborty
30-May-18	289	359	12m	Buy	Goutam Chakraborty
8-May-18	268	359	12m	Buy	Goutam Chakraborty
1-Mar-18	313	359	12m	Buy	Goutam Chakraborty
12-Feb-18	301	359	12m	Buy	Goutam Chakraborty
11-Jan-18	308	359	12m	Buy	Goutam Chakraborty
13-Nov-17	275	314	12m	Accumulate	Goutam Chakraborty
2-Nov-17	291	314	12m	Accumulate	Goutam Chakraborty
1-Nov-17	287	314	12m	Accumulate	Goutam Chakraborty
12-Oct-17	282	314	12m	Accumulate	Goutam Chakraborty
11-Sep-17	257	279	12m	Accumulate	Goutam Chakraborty
5-Sep-17	254	279	12m	Accumulate	Goutam Chakraborty
16-Aug-17	238	279	12m	Accumulate	Goutam Chakraborty
30-Jun-17	244	279	12m	Hold	Goutam Chakraborty
29-May-17	267	279	12m	Hold	Goutam Chakraborty
2-May-17	275	320	12m	Hold	Goutam Chakraborty
5-Apr-17	290	320	12m	Hold	Goutam Chakraborty
13-Feb-17	321	320	12m	Hold	Goutam Chakraborty
3-Feb-17	326	300	12m	Hold	Goutam Chakraborty
2-Jan-17	300	300	12m	Hold	Goutam Chakraborty
27-Dec-16	289	300	12m	Hold	Goutam Chakraborty
13-Dec-16	306	300	12m	Hold	Goutam Chakraborty
3-Oct-16	328	356	12m	Accumulate	Goutam Chakraborty
15-Sep-16	324	356	12m	Accumulate	Goutam Chakraborty
1-Aug-16	326	384	12m	Buy	Goutam Chakraborty
4-Jul-16	318	384	12m	Buy	Goutam Chakraborty
2-Jun-16	307	384	12m	Buy	Goutam Chakraborty
2-May-16	289	384	12m	Buy	Goutam Chakraborty
2-Mar-16	311	384	12m	Buy	Goutam Chakraborty

Source: Company, Emkay Research

RECOMMENDATION HISTORY CHART



Source: Bloomberg, Company, Emkay Research

Emkay Rating Distribution

BUY	Expected total return (%) (Stock price appreciation and dividend yield) of over 25% within the next 12-18 months.
ACCUMULATE	Expected total return (%) (Stock price appreciation and dividend yield) of over 10% within the next 12-18 months.
HOLD	Expected total return (%) (Stock price appreciation and dividend yield) of upto 10% within the next 12-18 months.
REDUCE	Expected total return (%) (Stock price depreciation) of upto (-) 10% within the next 12-18 months.
SELL	The stock is believed to underperform the broad market indices or its related universe within the next 12-18 months.

Completed Date: 13 Feb 2019 03:19:51 (SGT)
Dissemination Date: 13 Feb 2019 03:20:51 (SGT)

Sources for all charts and tables are Emkay Research unless otherwise specified.

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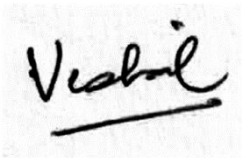
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A handwritten signature in black ink on a light-colored background. The signature is written in a cursive style and appears to be the name 'Vishal'. A horizontal line is drawn underneath the signature.

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