

COAL INDIA

Robust FSA realisation spurs performance

India Equity Research | Metals and Mining

Coal India (CIL) posted higher-than-consensus Q1FY20 EBITDA of INR66.4bn. Key highlights: 1) FSA realisation improved owing to greater supply to non-power consumers and grade control. 2) E-auction volume rose 14% QoQ while realisation slid 22% QoQ. 3) Cost/t declined 7% YoY to INR1,192 as manpower cost has rationalised. Going ahead, we expect CIL to sustain the good performance as: a) FSA realisation is expected to inch up pursuant to the uptick in coal supplies to the non-power segment; b) volume is likely to pick up as issues at key subsidiaries – SECL and MCL – seem to be largely over. We retain our estimates. Maintain 'BUY/SO' with a TP of INR235. The stock is trading at 7.3x FY21E EPS.

FSA realisation uptick a major positive

Despite Street's concerns about the plunge in e-auction premium, we remain upbeat on FSA realisation, which underpinned CIL's Q1FY20 outperformance. Key highlights: 1) FSA realisation at INR1,370 (up 4% YoY) is the highest since Q4FY17. 2) CIL supplied additional 4mt to non-power sectors. 3) E-auction premium fell due to a combination of lower international coal prices and an uptick in FSA realisation. Going ahead, we expect CIL's earnings to rise as: 1) FSA realisation is likely to get a further boost from additional volumes to non-power segment in tranche V auctions; and 2) volume is likely to expand at MCL and SECL.

Capex on track; focus on equipment procurement heartening

We are upbeat on CIL's FY20E capex of INR100bn focused on equipment procurement (INR33bn) and mine development (INR12bn). We believe that this would boost production. That said, until FY23, almost INR60bn is expected to be incurred on equipment such as excavators, dumpers and draglines.

Outlook and valuation: Value play; maintain 'BUY'

We believe that CIL will achieve production growth of 4.5% YoY in FY20E driven by a spurt in H2FY20. FSA realisation too is likely to be stable as more coal is being diverted to the non-power segment (which fetches a premium). Maintain 'BUY/SO' with an unchanged TP of INR235 on December 2020E EPS, implying an exit 8.5x FY21E EPS.

EDELWEISS 4D RATINGS

Absolute Rating	BUY
Rating Relative to Sector	Performer
Risk Rating Relative to Sector	Medium
Sector Relative to Market	Underweight

MARKET DATA (R: COAL.BO, B: COAL IN)

CMP	: INR 200
Target Price	: INR 235
52-week range (INR)	: 300 / 193
Share in issue (mn)	: 6,162.7
M cap (INR bn/USD mn)	: 1,236 / 17,297
Avg. Daily Vol.BSE/NSE('000)	: 7,218.8

SHARE HOLDING PATTERN (%)

	Current	Q4FY19	Q3FY19
Promoters *	71.0	71.0	75.2
MF's, FI's & BK's	17.4	19.0	9.8
FII's	9.0	7.1	2.9
Others	2.7	2.9	12.1
* Promoters pledged shares (% of share in issue)	:	NIL	

PRICE PERFORMANCE (%)

	Stock	Nifty	EW Metals and Mining Index
1 month	(14.8)	(8.1)	(16.3)
3 months	(17.2)	(5.6)	(20.2)
12 months	(25.2)	(4.7)	(32.1)

Financials

(INR mn)

Year to March	Q1FY20	Q1FY19	% Chg	Q4FY19	% Chg	FY19	FY20E	FY21E
Net revenues	249,390	242,609	2.8	285,463	(12.6)	995,469	1,019,939	1,046,040
EBITDA	66,403	46,801	41.9	82,122	(19.1)	249,771	254,232	259,122
Adjusted Profit	46,585	37,843	23.1	60,268	(22.7)	174,630	170,415	168,417
Adjusted Diluted EPS	7.6	6.1	24.0	9.8	(22.7)	28.3	27.7	27.3
Diluted P/E (x)						7.1	7.3	7.4
EV/EBITDA (x)						3.8	3.7	3.4
ROAE (%)						73.7	55.7	44.4

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Chart 1: Q1FY20E EBITDA/t slightly lower QoQ...

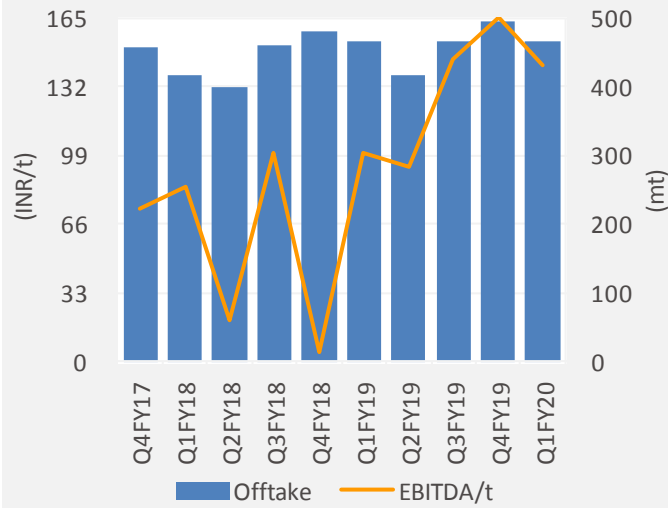


Chart 2: ...as e-auction prices come off

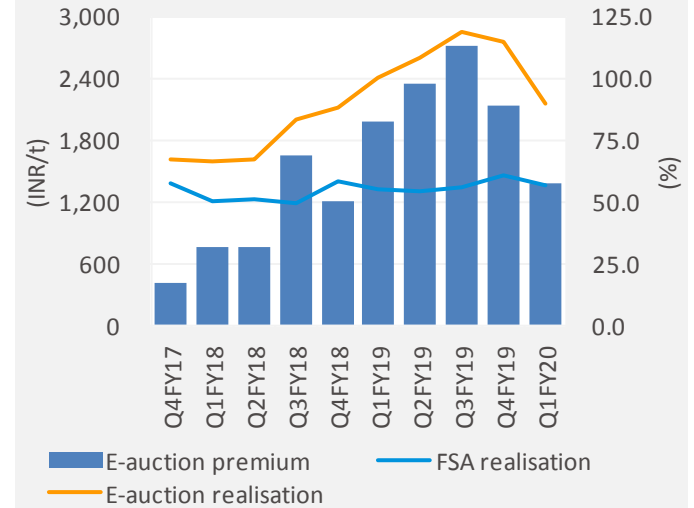


Chart 3: FSA realisation uptick key positive

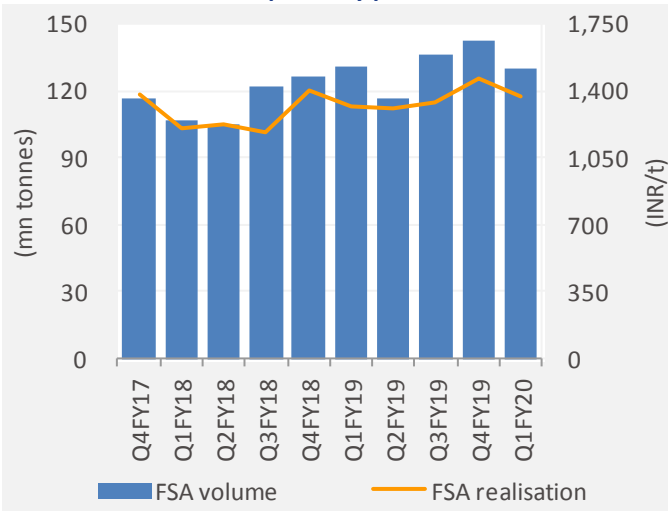
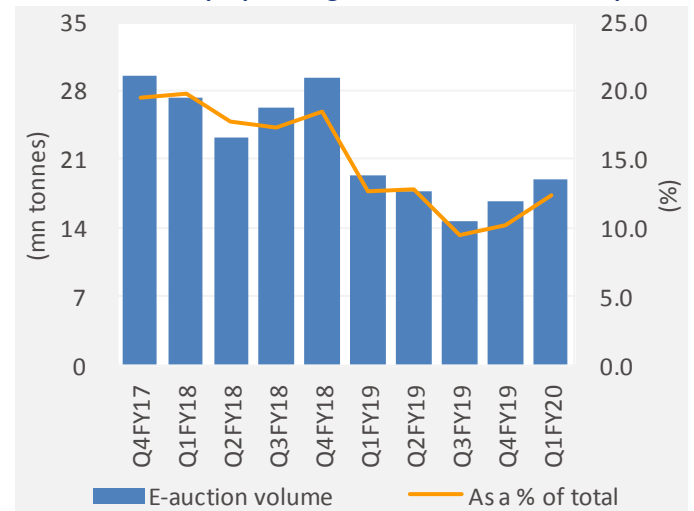


Chart 4: E-auction proportion grows due to focus on non-power



Source: Company data, Edelweiss research

Coal India Q1FY20 analyst meet: Key takeaways

Focal points

- Reiterate the FY20 production target of 660mt. Expect a pick-up from September.
- Capex at INR100bn, largely back-ended and towards equipment and mine development.
- Additional 30mt of FSAs expiring by March 2020 to be auctioned in tranche V
- E-auction volume expected to be 70–80mt, including 5mt of inventory destocking.
- Subcontracting at MCL. Law and order issues persist, but production coming back.
- BCCL performance should improve following organisational changes in Q1FY20.
- Production loss due to outage at Talcher estimated at 2mt. Expected to be met in H2.
- Dividend of at least 45% of PAT.

Industry aspects

- Coal would remain the preferred fuel for electricity generation until at least 2030 in India. CIL's endeavour is to substitute coal imports to the maximum extent possible.
- Almost 115mt of coal is imported by steel producers (coking coal) and power plants located along the western coast; these imports cannot be replaced. However, 120mt of residual imports would be replaced by CIL once it augments production by 50mtpa, which would gradually touch 1bntpa by FY26.
- Currently, all power plants have adequate coal reserves. Pit head reserves at power plants are 15 days or 24mt. In addition, there is an inventory of 30mt at CIL. Hence, the company can augment the supplies to non-power sectors.

Production outlook

- Maintain production target of 660mt for FY20. Q4FY19 logged highest-ever production by CIL that stretched equipment utilisation and altered mine geometry.
- In Q1FY20, CIL preferred to keep production low at 1.1mt per day (Q4FY19: 2.6mt per day). As a result, now mine geometry has been restored and equipment maintenance schedule is over.
- Management is hopeful of ramping production September 2019 onwards (post-monsoon). Evacuation would remain 1.8–1.9mt per day.
- No mine (out of total of 364) is closed for economic consideration even though just 40 mines account for 60% of production and just 75 mines account for 86% of production.
- In FY18, almost 45% of production was subcontracted. This number went up to 50% in FY19. Going forward, with new equipment procurement, the proportion of subcontracting is likely to go down.

Marketing

- In Q1FY20, additional 4mt was supplied to non regulated sector with an additional 1mt supplied in July. Going ahead, another 30mt of tapering linkages expiring in March 2020 will be auctioned in tranche V. This will result in FSA realisation sustaining above the current level.
- FSA realisation has gone up as a result of increased supplies to the non-power sector and control on grades.
- E-auction volumes are likely to be about 70mt in FY20 with additional volumes for 30mt as special or spot auctions for the power sector. The fall in e-auction premium is due to the decline in international coal prices and improved availability of coal for the non-regulated sector. Also, FSA realisation has gone up owing to more supply of coal to the non-regulated sector, thereby resulting in a reduction in the e-auction premium.

Capex

- Capex for FY20 is expected to be INR100bn, out of which INR19bn is for land acquisition, INR33bn for equipment and INR12bn for mine development. Capex in Q1FY20 was INR8bn. However, this will pick up in H2FY20.
- CIL is placing order for equipment worth INR60bn, out of which INR17bn will be towards 150t dumpers, INR20bn towards 190t dumpers, and balance towards draglines, excavators and other ancillary equipment.

Issues at MCL, SECL and BCCL

- Production shortfall mainly at SECL and MCL. At SECL, Gevra (45mt), Dipika (35mt) and Kusmunda (40mt) are the key contributors to the 170mt target. While there has been shortage of 4mt in Q1FY20 at Deepika, other mines are progressing well.
- MCL continues to suffer from law and order as well as land acquisition issues. However, subcontractors have been finalised and production should pick up in H2FY20. The outage at Talcher resulted in a production loss of almost 2mt.
- Development at Kulda OCP and Garjanbahal OCP – together making up 20mtpa – will be completed in FY20.
- In Talcher coalfields, Bhubaneswari OCP (20mtpa), Ananta OCP (10mtpa) and Jagannath Re-organisation (6mtpa) are also on track. The environmental clearance for Jagannath is pending and any shortfall will be made up by Ananta OCP.
- BCCL had a shortfall of almost 2mt in Q1FY20 owing to the lack of proper organisational structure and labour-related issues. Traditionally, almost 50% of the mines remain closed at any given point in time owing to the aforementioned issues. However, the new organisational structure is in place, which is likely to ensure smoother operations.

Others

- Almost 18 washeries are under construction, out of which two are expected to commence production in FY20. The tendering process for two washeries at SECL and three washeries at BCCL is in progress. Six washeries are being set up at BCCL.
- Dividend payout would be at least 45% of PAT.
- Target IRR of at least 12% from any project.

Financial snapshot

(INR mn)

Year to March	Q1FY20	Q1FY19	% change	Q4FY19	% change	FY19	FY20E	FY21E
Net revenues	249,390	242,609	2.8	285,463	(12.6)	995,469	1,019,939	1,046,040
Dec/(inc) in stock	6,172	15,739	(60.8)	(16,829)	(136.7)	8,562	-	-
Repairs and maintenance	2,527	2,811	(10.1)	5,482	(53.9)	14,464	14,938	15,607
Cost of materials	15,778	11,635	35.6	22,036	(28.4)	73,314	73,058	82,771
Welfare expenses	446	375	19.1	2,876	(84.5)	4,165	4,526	4,730
Contractual expenses	33,248	31,761	4.7	38,386	(13.4)	133,780	149,604	156,302
Power and fuel	5,897	5,940	(0.7)	6,046	(2.5)	24,431	25,487	26,627
Employee expenses	98,957	95,982	3.1	107,008	(7.5)	387,701	392,134	390,173
Other expenses	10,959	11,105	(1.3)	15,171	(27.8)	47,411	49,549	51,767
OBR	8,991	8,835	1.8	22,077	(59.3)	50,712	53,669	56,075
Provisions / write-offs	13	11,626	(99.9)	1,088	(98.8)	1,157	2,743	2,866
Total expenditure	182,987	195,808	(6.5)	203,340	(10.0)	745,698	765,707	786,918
EBITDA	66,403	46,801	41.9	82,122	(19.1)	249,771	254,232	259,122
Depreciation	7,343	7,452	(1.5)	10,372	(29.2)	34,504	42,317	50,927
EBIT	59,060	39,349	50.1	71,751	(17.7)	215,268	211,915	208,195
Interest	166	1,103	(85.0)	1,019	(83.7)	2,750	4,092	4,092
Other income	11,502	22,624	(49.2)	18,196	(36.8)	58,737	56,885	57,504
Add: Exceptional items								
Profit before tax	70,397	60,869	15.7	88,927	(20.8)	271,255	264,708	261,607
Provision for taxes	23,811	23,025	3.4	28,659	(16.9)	96,625	94,293	93,188
Reported net profit	46,585	37,843	23.1	60,268	(22.7)	174,630	170,416	168,419
Adjusted Profit	46,585	37,843	23.1	60,268	(22.7)	174,630	170,415	168,417
Diluted shares (mn)	6,163	6,207		6,163		6,163	6,163	6,163
Adjusted Diluted EPS	7.6	6.1	24.0	9.8	(22.7)	28.3	27.7	27.3
Diluted P/E (x)	-	-		-		7.1	7.3	7.4
EV/EBITDA (x)	-	-		-		3.8	3.7	3.4
ROAE (%)	-	-		-		73.7	55.7	44.4
As % of net revenues								
Cost of materials	6.3	4.8		7.7		7.4	7.2	7.9
Employee cost	39.7	39.6		37.5		38.9	38.4	37.3
Power & fuel	2.4	2.4		2.1		2.5	2.5	2.5
Welfare expenses	0.2	0.2		1.0		0.4	0.4	0.5
Repairs and Maintenance	1.0	1.2		1.9		1.5	1.5	1.5
Contractual expenses	13.3	13.1		13.4		13.4	14.7	14.9
Other expenditure	4.4	4.6		5.3		4.8	4.9	4.9
OBR	3.6	3.6		7.7		5.1	5.3	5.4
Provisions / write-offs	-	4.8		0.4		0.1	0.3	0.3
Total expenses	73.4	80.7		71.2		74.9	75.1	75.2
EBITDA	26.6	19.3		28.8		25.1	24.9	24.8
Reported net profit	18.7	15.6		21.1		17.5	16.7	16.1
Tax rate	33.8	37.8		32.2		35.6	35.6	35.6

Company Description

Coal India Limited (CIL) is an India-based holding company. The Company is a coal mining company, which is engaged in the production and sale of coal. The Company offers products, including Coking Coal, Semi Coking Coal, Non-Coking Coal, Washed and Beneficiated Coal, Middlings, Rejects, Coal Fines/Coke Fines, and Tar/Heavy Oil/Light Oil/Soft Pitch. Its Middlings are used in power generation, brick manufacturing units and cement plants. The Washed and Beneficiated Coal products are used in the manufacturing of hard coke for steel making and power generation. Its Semi Coking Coal products are used as blend-able coal in steel making, merchant coke manufacturing and other metallurgical industries. Its Non-Coking Coal products are used for cement, fertilizer, glass, ceramic, paper, chemical and brick manufacturing, and for other heating purposes. CIL operates through approximately 82 mining areas spread over eight provincial states of India.

Investment Theme

Government's focus on ramping-up domestic production (to counter rising imports) will lead to sustainable volume growth for CIL. Further, commissioning of railway lines will augment evacuation capabilities. We believe, the company will benefit from its prices being lower compared to imported coal. Additionally, CIL is also likely to gain from grade control measures. However, potential OFS by the Government of India remains an overhang. Nonetheless, dividend yield of ~6-7% through to FY21E is a positive.

Key Risks

Government of India's OFS

Lower-than-expected new FSA demand.

Loss of volume-linked incentive.

Lower-than-expected volume growth.

Sharp increase in costs without immediate increase in prices.

Financial Statements

Key Assumptions

Year to March	FY18	FY19	FY20E	FY21E
Macro				
GDP(Y-o-Y %)	7.2	6.8	6.8	7.1
Inflation (Avg)	3.6	3.4	4.0	4.5
Repo rate (exit rate)	6.0	6.3	5.3	5.0
USD/INR (Avg)	64.5	70.0	72.0	72.0
Company				
Production (mt)	567	607	634	663
Sales volumes (MT)	581	609	636	664
E-auction volume (mt)	106	64	74	77
Beneficiation volume(mt)	15	16	16	19
Raw Coal volume (mt)	460	531	546	569
E-auction (INR/t)	1,839	2,828	2,077	1,936
Beneficiation (INR/t)	2,931	2,584	3,195	3,355
Raw coal (INR/t)	1,257	1,343	1,384	1,387
Cost of materials(INR/t)	117	120	115	125
Power and fuel (INR)	43	40	40	40
Welfare expenses (INR/t)	8	7	7	7
Repairs per tonne (INR)	25	24	23	23
Contractual exp(INR/t)	220	220	235	235
Misc expenses (INR/t)	72	78	78	78
OBR (INR/t)	58	83	84	84
Provisions (INR/t)	1	2	4	4
Staff costs (INR mn)	426	388	392	390
Blended EBITDA/t (USD/t)	160	410	324	290
Depreciation rate (%)	9.4	8.6	8.6	8.6
Debtor days	40	22	21	21
Inventory days	221	170	175	169
Payable days	156	195	199	186

Income statement

(INR mn)

Year to March	FY18	FY19	FY20E	FY21E
Net revenue	852,442	995,469	1,019,939	1,046,040
Accretion to stock	16,795	8,562	-	-
Purchase of goods	110,174	120,726	122,607	134,538
Employee costs	426,218	387,701	392,134	390,173
Total SG&A expenses	181,209	204,278	225,480	235,579
Power and Freight	25,164	24,431	25,487	26,627
Total operating expenses	759,560	745,698	765,707	786,918
EBITDA	92,882	249,771	254,232	259,122
Depreciation	30,627	34,504	42,317	50,927
EBIT	62,255	215,268	211,915	208,195
Less: Interest Expense	4,301	2,750	4,092	4,092
Add: Other income	49,748.8	58,737.3	56,885.27	57,503.98
Profit Before Tax	107,703	271,255	264,708	261,607
Less: Provision for Tax	37,323	96,625	94,293	93,188
Reported Profit	70,380	174,630	170,416	168,419
Adjusted Profit	70,380	174,630	170,416	168,419
Shares o/s (mn)	6,316	6,163	6,163	6,163
Adjusted Basic EPS	11.1	28.3	27.7	27.3
Diluted shares o/s (mn)	6,316	6,163	6,163	6,163
Adjusted Diluted EPS	11.1	28.3	27.7	27.3
Adjusted Cash EPS	16.0	33.9	34.5	35.6
Dividend per share (DPS)	16.5	13.1	13.1	13.1
Dividend Payout Ratio(%)	174.8	57.0	56.3	56.9

Common size metrics

Year to March	FY18	FY19	FY20E	FY21E
Operating expenses	89.1	74.9	75.1	75.2
Depreciation	3.6	3.5	4.1	4.9
Interest Expense	0.5	0.3	0.4	0.4
EBITDA margins	10.9	25.1	24.9	24.8
Net Profit margins	8.3	17.5	16.7	16.1

Growth ratios (%)

Year to March	FY18	FY19	FY20E	FY21E
Revenues	8.7	16.8	2.5	2.6
EBITDA	(25.3)	168.9	1.8	1.9
PBT	(25.4)	151.9	(2.4)	(1.2)
Adjusted Profit	(24.2)	148.1	(2.4)	(1.2)
EPS	(24.2)	154.3	(2.4)	(1.2)

Metals and Mining

Balance sheet		(INR mn)			
As on 31st March	FY18	FY19	FY20E	FY21E	
Share capital	62,074	61,627	61,627	61,627	
Reserves & Surplus	139,713	202,911	277,468	350,028	
Shareholders' funds	201,787	264,539	339,095	411,655	
Minority Interest	3,625	4,068	4,068	4,068	
Long term borrowings	10,544	14,723	14,723	14,723	
Short term borrowings	4,833	7,377	7,305	7,305	
Total Borrowings	15,377	22,099	22,027	22,027	
Long Term Liabilities	555,492	585,665	639,406	695,480	
Def. Tax Liability (net)	(53,551)	(42,692)	(42,692)	(42,692)	
Sources of funds	722,730	833,679	961,905	1,090,539	
Gross Block	359,981	441,470	541,470	641,470	
Net Block	275,446	325,758	383,441	432,514	
Capital work in progress	102,727	96,229	116,229	136,229	
Intangible Assets	295	739	739	739	
Total Fixed Assets	378,468	422,726	500,409	569,482	
Non current investments	161,532	168,574	168,574	168,574	
Cash and Equivalents	316,806	328,742	340,497	378,303	
Inventories	64,438	55,839	61,617	63,194	
Sundry Debtors	62,578	54,986	60,227	61,768	
Loans & Advances	37	5,023	5,023	5,023	
Other Current Assets	217,297	248,607	258,607	268,607	
Current Assets (ex cash)	344,350	364,454	385,473	398,591	
Trade payable	69,744	68,155	65,387	71,749	
Other Current Liab	408,682	382,662	367,662	352,662	
Total Current Liab	478,426	450,817	433,049	424,411	
Net Curr Assets-ex cash	(134,075)	(86,363)	(47,575)	(25,820)	
Uses of funds	722,730	833,679	961,905	1,090,539	
BVPS (INR)	31.9	42.9	55.0	66.8	

Free cash flow		(INR mn)			
Year to March	FY18	FY19	FY20E	FY21E	
Reported Profit	70,380	174,630	170,416	168,419	
Add: Depreciation	30,627	34,504	42,317	50,927	
Interest (Net of Tax)	2,811	1,771	2,634	2,634	
Others	3,713	3,763	51,035	53,441	
Less: Changes in WC	(103,619)	47,712	38,788	21,755	
Operating cash flow	211,149	166,955	227,614	253,666	
Less: Capex	85,293	73,393	120,000	120,000	
Free Cash Flow	125,856	93,561	107,614	133,666	

Peer comparison valuation

Name	Market cap (USD mn)	Diluted P/E (X)		EV / EBITDA (X)		ROAE (%)	
		FY20E	FY21E	FY20E	FY21E	FY20E	FY21E
Coal India	17,297	7.3	7.4	3.7	3.4	55.7	44.4
Bumi Resources Tbk PT	-	3.4	3.4	13.9	14.8	21.4	20.4
China Coal Energy Co Ltd	7,026	11.5	10.5	7.0	6.8	5.4	5.4
Peabody Energy Corp	-	10.9	377.6	2.7	3.3	6.3	0.5
Median	-	9.1	9.0	5.3	5.1	13.8	12.9
AVERAGE	-	8.3	99.7	6.8	7.1	22.2	17.7

Source: Edelweiss research

Cash flow metrics					
Year to March	FY18	FY19	FY20E	FY21E	
Operating cash flow	211,149	166,955	227,614	253,666	
Financing cash flow	(135,642)	(101,516)	(95,859)	(95,859)	
Investing cash flow	(77,469)	(82,658)	(120,000)	(120,000)	
Net cash Flow	(1,962)	(17,220)	11,755	37,807	
Capex	85,293	73,393	120,000	120,000	
Dividend paid	(123,012)	(99,468)	(95,859)	(95,859)	

Profitability and efficiency ratios

Year to March	FY18	FY19	FY20E	FY21E
ROAE (%)	31.0	73.7	55.7	44.4
ROACE (%)	44.7	107.1	82.0	66.2
Inventory Days	221	170	175	169
Debtors Days	40	22	21	21
Payable Days	156	195	199	186
Cash Conversion Cycle	105	(3)	(3)	5
Current Ratio	1.4	1.5	1.7	1.8
Gross Debt/EBITDA	0.2	0.1	0.1	0.1
Gross Debt/Equity	0.1	0.1	0.1	0.1
Adjusted Debt/Equity	0.1	0.1	0.1	0.1
Net Debt/Equity	(1.5)	(1.1)	(0.9)	(0.9)
Interest Coverage Ratio	14.5	78.3	51.8	50.9

Operating ratios

Year to March	FY18	FY19	FY20E	FY21E
Total Asset Turnover	1.2	1.3	1.1	1.0
Fixed Asset Turnover	3.3	3.3	2.9	2.6
Equity Turnover	3.8	4.2	3.3	2.8

Valuation parameters

Year to March	FY18	FY19	FY20E	FY21E
Adj. Diluted EPS (INR)	11.1	28.3	27.7	27.3
Y-o-Y growth (%)	(24.2)	154.3	(2.4)	(1.2)
Adjusted Cash EPS (INR)	16.0	33.9	34.5	35.6
Diluted P/E (x)	18.1	7.1	7.3	7.4
P/B (x)	6.3	4.7	3.7	3.0
EV / Sales (x)	1.1	0.9	0.9	0.9
EV / EBITDA (x)	10.5	3.8	3.7	3.4
Dividend Yield (%)	8.2	6.5	6.5	6.5

Additional Data

Directors Data

Shri A K Jha	Chairman-cum-Managing-Director	Shri Sanjiv Soni	Director - Finance
Shri B Dayal	Director - Technical	Shri R P Srivastava	Director - Personnel
Shri S N Prasad	Director - Marketing	Smt. Reena Sinha Puri	Government Nominee Director
Shri Rajesh Kumar Sinha	Government Nominee Director	Ms. Loretta Mary Vas	Independent Director
Dr. S.B. Agnihotri	Independent Director	Dr. D.C. Panigrahi	Independent Director
Dr. Khanindra Pathak	Independent Director	Shri Vinod Jain	Independent Director
Shri V K Thakral	Independent Director	Shri B L Gajipara	Independent Director

Auditors - M/s RAY & RAY

**as per last annual report*

Holding – Top10

	Perc. Holding		Perc. Holding
Government of india	69.26	Reliance capital tru	2.82
Hdfc asset managemen	1.41	Blackrock	0.87
Vanguard group	0.85	Capital group compan	0.74
Sbi funds management	0.48	Icici prudential ass	0.47
Lazard ltd	0.43	Jpmorgan chase & co	0.42

**in last one year*

Bulk Deals

Data	Acquired / Seller	B/S	Qty Traded	Price
No Data Available				

**in last one year*

Insider Trades

Reporting Data	Acquired / Seller	B/S	Qty Traded
07 Dec 2018	The President Of India Acting Through Ministry Of Coal	Sell	137993783.00

**in last one year*

Company	Absolute reco	Relative reco	Relative risk	Company	Absolute reco	Relative reco	Relative Risk
Coal India	BUY	SP	M	GMDC	BUY	SO	H
Hindalco Industries	BUY	SO	M	Hindustan Zinc	HOLD	SU	L
Jindal Stainless Ltd	BUY	SO	H	Jindal Steel & Power	BUY	SO	M
JSW Steel	HOLD	SP	M	NMDC	BUY	SP	M
Steel Authority of India	REDUCE	SU	M	Tata Steel	HOLD	SP	M
Vedanta	HOLD	SP	M				

ABSOLUTE RATING

Ratings	Expected absolute returns over 12 months
Buy	More than 15%
Hold	Between 15% and - 5%
Reduce	Less than -5%

RELATIVE RETURNS RATING

Ratings	Criteria
Sector Outperformer (SO)	Stock return > 1.25 x Sector return
Sector Performer (SP)	Stock return > 0.75 x Sector return
	Stock return < 1.25 x Sector return
Sector Underperformer (SU)	Stock return < 0.75 x Sector return

Sector return is market cap weighted average return for the coverage universe within the sector

RELATIVE RISK RATING

Ratings	Criteria
Low (L)	Bottom 1/3rd percentile in the sector
Medium (M)	Middle 1/3rd percentile in the sector
High (H)	Top 1/3rd percentile in the sector

Risk ratings are based on Edelweiss risk model

SECTOR RATING

Ratings	Criteria
Overweight (OW)	Sector return > 1.25 x Nifty return
Equalweight (EW)	Sector return > 0.75 x Nifty return
	Sector return < 1.25 x Nifty return
Underweight (UW)	Sector return < 0.75 x Nifty return

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Aditya Narain

Head of Research

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Coverage group(s) of stocks by primary analyst(s): Metals and Mining

Coal India, GMDC, Hindalco Industries, Hindustan Zinc, Jindal Stainless Ltd, Jindal Steel & Power, JSW Steel, NMDC, Steel Authority of India, Tata Steel, Vedanta

Recent Research

Date	Company	Title	Price (INR)	Recos
16-Aug-19	NMDC	A steady quarter; Result Update	105	Buy
14-Aug-19	Steel Authority of India	Running in to troubled waters; Result Update	37	Reduce
14-Aug-19	Metals & Mining	Less cheer and more fear ahead; Sector Update		

Distribution of Ratings / Market Cap

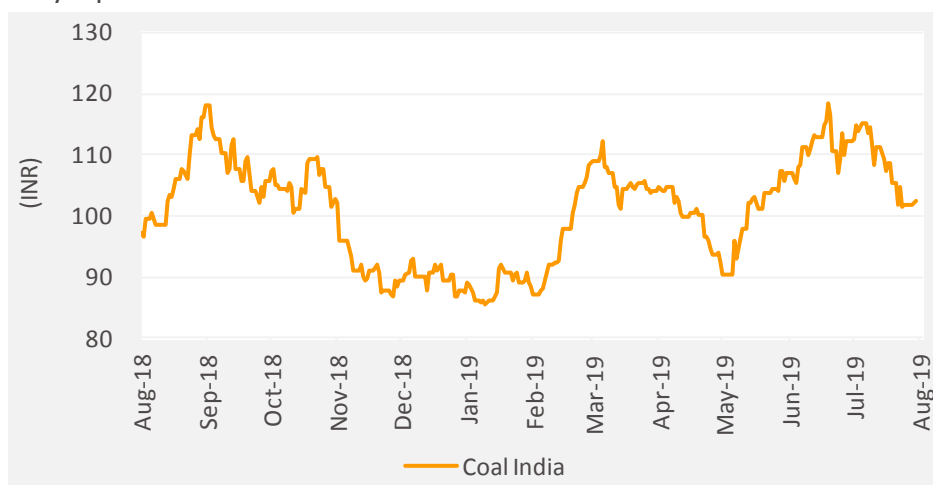
Edelweiss Research Coverage Universe

	Buy	Hold	Reduce	Total
Rating Distribution*	161	67	11	240
* 1stocks under review				
	> 50bn	Between 10bn and 50 bn	< 10bn	
Market Cap (INR)	156	62	11	

Rating Interpretation

Rating	Expected to
Buy	appreciate more than 15% over a 12-month period
Hold	appreciate up to 15% over a 12-month period
Reduce	depreciate more than 5% over a 12-month period

One year price chart



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