

Coal India Ltd

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CMP (Rs)	Target Price (Rs)	Potential Upside (%)	52 Week H/L (Rs)	Mkt Cap (Rs mn)
188	280	48.9%	300 / 178	1166683

Key Highlights:

- Coal India (CIL) continues to report resilient earnings performance with 20% YoY growth in EBITDA in 1QFY20. The earnings performance gains significance as it came in despite 10% YoY decline in e-auction prices.
- Weakness in e-auction revenues was partially offset by higher realization for beneficiated coal, which increased by 31% YoY to Rs. 3,170 (Rs. 2,430 in 1QFY19) leading to increase in revenue to Rs. 9.7 bn (+56.3% YoY).
- While CIL has set for itself target of 660 mn tons of coal production in FY19, production in 1QFY20 was at 150 mn tons (flat YoY). As per management, the company would see a sharp increase in production in 3QFY20 and 4QFY20 as the company in 1QFY20 was more focused on maintaining the geometry of mines.
- India's consumption of coal in FY19 was at 1 bn tons of which 600 mn tons was contributed by CIL while 235 mn tons was imported. While some portion of this imported coal was on account of non-availability of non-coking coal in India, management expects to produce another 120 mn tons to reduce India's reliance on coal imports.
- CIL has identified two mines each in Australia and Canada and would be looking to acquire minority stake (25-30%) in these mines to meet increasing demand of coking coal in India which forms primary raw material in production of steel.
- While capex for FY19 was at Rs. 75 bn, CIL intends to do capex of Rs. 100 bn in FY20. Large part of this capex (~50%) would be for purchase of earth moving equipment while remaining would be spend on land and mine development.
- The continued divestment by the government has made valuations to be incrementally attractive on adjusted earnings. Maintain BUY with revised fair value of Rs. 280/share.

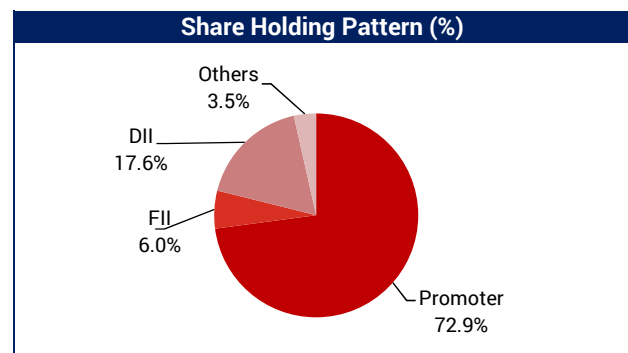
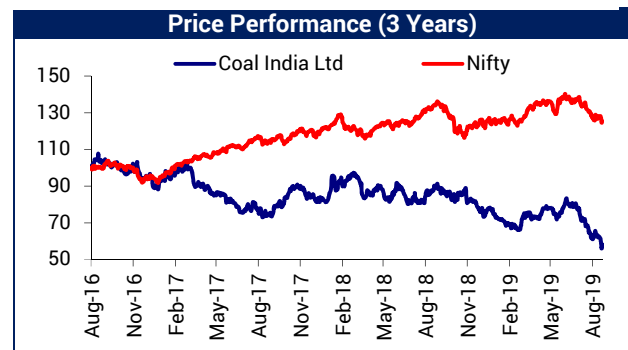
Financials (Rs mn)*	FY19	FY20E	FY21E
Sales	928,961	964,497	1,022,670
Growth (%)	13.7	3.8	6.0
EBITDA	209,947	221,209	231,121
EBITDA margin (%)	22.6	22.9	22.6
PBT	271,255	287,396	292,942
Net profit	174,631	189,092	192,218
Adjusted EPS (Rs)	28.3	31.2	31.3
Growth (%)	157.3	10.2	0.3
P/E (x)	6.6	6.0	6.0

BV (Rs/share)	36	37	39
Net debt/equity (%)	(131)	(26)	(31)
ROE (%)	83	84	82
ROCE (%)	99	100	97
Free cash flow	130,694	(49,819)	196,703

Source: Kotak Institutional Equities Research *Consolidated

Financials (Rs mn)*	1QFY19	1QFY20	% Chg
Revenues	222,060	213,740	-3.7%
EBITDA	62,840	51,980	-17.3%
EBITDA Margin (%)	28.3%	24.3%	-397 bps
PAT	15,330	13,510	-11.9%
PAT Margin (%)	6.9%	6.3%	95 bps
EPS (Rs)	4.1	3.6	(0.5)

Source: Kotak Institutional Equities Research *Consolidated



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- BUY** – We expect the stock to deliver more than 15% returns over the next 12 months
- ADD** – We expect the stock to deliver 5% - 15% returns over the next 12 months
- REDUCE** – We expect the stock to deliver -5% - +5% returns over the next 12 months
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