



ENAM Securities  
India Research

CMP: Rs 325  
Target Price: Rs 419  
Potential Upside: 29%  
Absolute Rating: BUY

# Coal India Ltd

Relative to sector: **Outperformer**

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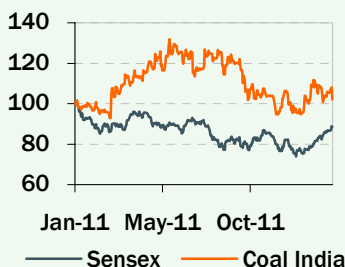
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## Relative Performance



Source: Bloomberg, ENAM Research

## Stock data

No. of shares : 6,316 mn  
Market cap : Rs 2,052 bn  
52 week high/low : Rs 422/ Rs 289  
Avg. daily vol. (1mth) : 4.8 mn shares  
Bloomberg code : COAL IB  
Reuters code : COAL.BO

## Shareholding (%)

	Dec-11	QoQ chg
Promoters	90.0	0.0
FIs	5.6	(0.8)
MFs / UTI	1.0	(0.0)
Banks / FIs	0.8	0.3
Others	2.6	0.5

## Financial summary

Y/E Mar	Sales (Rs bn)	PAT (Rs bn)	Consensus EPS* (Rs)	EPS (Rs)	Change YoY (%)	P/E (x)	Core RoE (%)	Core RoCE (%)	EV/EBITDA (x)	DPS (Rs)
FY10	447	91	-	14.5	24.0	-	38	53	-	4.7
FY11	503	112	-	17.7	22.5	-	36	50	-	5.3
FY12E	621	146	23.3	23.1	30.7	14.0	36	51	7.7	6.9
FY13E	683	165	26.3	26.1	12.9	12.4	32	46	6.5	7.8

Source: Company, ENAM estimates

## FUNDAMENTALS INTACT, MAINTAIN BUY

Following are the key takeaways from Coal India's (CIL) con-call, regarding various concerns raised about e-auction, import of coal and faster clearances to achieve volume growth:

- E-auction sales:** E-auction volume to be capped (as per the ministry's instruction) in case CIL cannot meet the new FSA commitment. *(Impact: Worst case scenario of volume being capped at 45 mnt, thereby leading to cumulative loss of profit of Rs 55 bn till FY17).*
- Prime Minister's Office (PMO) to ensure faster clearance of the regulatory hurdles.** *(Impact: Higher vol. growth from CIL).*  
  
**Profit impact - Neutral.** Cumulative loss of profit of Rs 55 bn could be mitigated by: a) rising e-auction coal price (there will be a surge in e-auction coal prices on account of lesser supplies due to this 45 mnt cap) and b) incrementally higher volume growth due to faster clearances assured by the PMO.
- Imported coal pricing:** On pricing of coal imported by CIL (in case of shortfall in own production), management said they are awaiting for clarity from PMO.
- Wage Cost Impact:** Actuarial valuation is in process and will be completed by March. (We have factored in Rs 45 bn as a wage provision).

## Valuations and recommendation:

Our target price and rating is based on assumption that CIL **will be able to recover landed cost of imported coal from power cos (in case of a shortfall arising out of situation beyond its control).**

Maintain **BUY** with a DCF based TP of Rs 419, with following key triggers: (a) Higher dividend, (b) likely price hike after March (as per management) and (c) higher volume growth in medium to long term

We will re-visit our rating and TP, as further clarity emerges on imported coal pricing for new FSA from the PMO.

**Change in estimates:** We have reduced our FY12 sales volume estimate to 442 mnt as against 452 mnt earlier. Thereafter, we assume a growth rate of 5.5% till FY17. We have also removed reversal of OBR adjustment reserves due to lack of clarity on IFRS implementation. Overall, we reduce our EPS estimates for FY12 and FY13 to Rs 23.1 (vs. 26.5) and Rs 26.1 (vs. Rs 28.5) respectively. **Maintain BUY** with a DCF based target price of Rs 419. Our target price would not change as OBR adjustment is a non-cash item. Reduction in volume has been off-set by higher e-auction realization.

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