

CMP : Rs.302

Coal India Ltd. (CIL)

STOCK INFO

| | |
|-------------------------|-----------------|
| BSE | 533278 |
| NSE | COALINDIA |
| Bloomberg | COAL IN |
| Reuters | COAL.BO |
| Sector | Coal |
| Face Value (Rs) | 10.0 |
| Equity Capital (Rs mn) | 63,163.6 |
| Mkt Cap (Rs mn) | 1,929,010 |
| 52w H/L (Rs) | 357.60 / 287.45 |
| Avg Daily Vol (BSE+NSE) | 761718.4 |

SHAREHOLDING PATTERN

| | % |
|------------------------|-------|
| (as on 31st Dec. 2010) | |
| Promoter | 90.00 |
| FII | 5.54 |
| DII | 1.62 |
| Others | 2.84 |

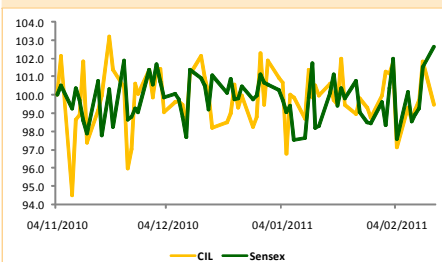
Source: BSE

STOCK PERFORMANCE (%)

| | 1m | 3m |
|------------|------|-------|
| Coal India | -3.1 | -4.7 |
| BSE Sensex | -3.6 | -10.4 |

Source: IndiaNivesh Research

COAL INDIA v/s BSE SENSEX



Source: IndiaNivesh Research, Capitaline

Result Highlight

Revenue grew on back of 12% rise in volumes sequentially: Coal India Ltd. reported its Q3FY11 net sales at Rs 126,918.9 mn (up 14% QoQ), it did not provide comparative figures saying the company was not listed then. Net sales were driven by an 11.5% sequential rise in volumes to 110.5 mt as well as a 2.6% QoQ increase in blended realizations to INR 1,148/tonnes. The company had reported a production of 113.9 mn tonnes during quarter up by 25% QoQ. Its production impacted due to restrictions on mining in some areas restrictions under the Critically Environmental Pollution Index (CEPI). Production at nine coalfields could not be expanded due to the ban which got extended from October 31 to March 31.

Cost control and higher realization increased EBITDA: CIL reported 81% jump QoQ in EBITDA at Rs 33.8 bn from Rs 18,591 mn in Q2FY11. Healthy EBITDA growth also resulted in 75.7% QoQ rise in net profit to Rs 26.3 bn.

Management Guidance: CIL management is hopeful that the company will surpass last fiscal's net profit of Rs 96.2 bn. For 9MFY11 the company has done net profit of Rs 66.46 bn. The company said that incremental coal production would be affected due to the ban and the company was expecting to reach a production figure of around 440 million tonnes by the end of March, 2011. The production target for the current fiscal was fixed at about 460 MT. The Planning Commission has scaled down the production target from 520 MT to 486 MT, and later to about 460 MT. A number of CIL blocks fall under 203 blocks, categorised as "No Go" mining areas by Environment Ministry affecting 660 MT coal productions per annum.

Valuation

At CMP Rs 302.4 the stock is trading at PE of 17.3x FY11E and 15.1x FY12E and EV/EBITDA of 10x FY11E and 9.6x FY12E on Bloomberg estimates. Going ahead with concern over the production we believe CIL is current fairly valued at these levels.

Financials

| Particulars | Q3FY11 | Q2FY11 | QoQ |
|--|-----------------|------------------|--------------|
| Gross Sales | 126918.9 | 116,677.0 | 8.8% |
| Excise Duty | 0 | 0 | |
| Net Sales | 126918.9 | 116677.0 | 8.8% |
| Other Operating Income | 0 | 0 | |
| Total Income | 126918.9 | 116677.0 | 8.8% |
| Stock Adjustment | -1520.8 | 2,136 | -171.2% |
| Internal Consumption of Coal | 0.0 | 5,460 | -100.0% |
| Consumption of stores & Spares | 13534.6 | 12,699 | 6.6% |
| Employee Expenses | 45000.6 | 47,812 | -5.9% |
| Power, Oil & Fuel | 4643.1 | 4,278 | 8.5% |
| Provisions & Write Offs | 685.1 | 767 | -10.7% |
| Social Overhead | 5626.3 | 4,970 | 13.2% |
| Repairs | 1484.8 | 1,714 | -13.4% |
| Contractual Expenses | 11473.0 | 10,554 | 8.7% |
| Other Expenditures | 5249.6 | 4,250 | 23.5% |
| Overburden Removal adj. | 6939.2 | 3,446 | 101.4% |
| TOTAL EXPENDITURE | 93115.4 | 98086.0 | -5.1% |
| EBITDA | 33803.54 | 18591.0 | 81.8% |
| Depreciation | 4136.0 | 3,701 | 11.8% |
| EBIT | 29667.53 | 14890.0 | 99.2% |
| Interest | 285.1 | 176 | 62.0% |
| Finance charges/Commitment Charges | 43.8 | 0 | |
| Other Income | 12875.8 | 11,576 | 11.2% |
| PBT before minority | 42214.4 | 26290.0 | 60.6% |
| Exceptional items (including PPA) | -158.1 | -503 | -68.6% |
| Profit/Loss from ordinary Activity before tax | 42056.4 | 25787.0 | 63.1% |
| Tax | 15795.6 | 10,841 | 45.7% |
| Reported Profit After Tax | 26260.8 | 14946.0 | 75.7% |
| Minority Interest After NP | 0 | 0 | |
| Net Profit after Minority Interest | 26260.8 | 14946.0 | 75.7% |

Source: Company Filings; IndiaNivesh Research

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Financials (Contd..)

| Cost Analysis (% of Net Sales) | Q3FY11 | Q2FY11 | QoQ |
|---------------------------------------|---------------|---------------|------------|
| Stock Adjustment | -1.2% | 1.8% | -302.9 bps |
| Internal Consumption of Coal | 0.0% | 4.7% | -468.0 bps |
| Consumption of stores & Spares | 10.7% | 10.9% | -22.0 bps |
| Employee Expenses | 35.5% | 41.0% | -552.2 bps |
| Power, Oil & Fuel | 3.7% | 3.7% | -0.8 bps |
| Provisions & Write Offs | 0.5% | 0.7% | -11.8 bps |
| Social Overhead | 4.4% | 4.3% | 17.3 bps |
| Repairs | 1.2% | 1.5% | -29.9 bps |
| Contractual Expenses | 9.0% | 9.0% | -0.6 bps |
| Other Expenditures | 4.1% | 3.6% | 49.4 bps |
| Overburden Removal adj. | 5.5% | 3.0% | 251.4 bps |
| Ratios | | | |
| EBITDA margin | 26.6% | 15.9% | 1070.0 bps |
| EBIT Margin | 23.4% | 12.8% | 1061.3 bps |
| PAT Margin | 20.7% | 12.8% | 788.1 bps |
| Tax Rate | 37.6% | 42.0% | -448.2 bps |
| Production details | | | |
| Production (mn tons) | 113.9 | 90.6 | 25.7% |
| Sale (mn tons) | 110.5 | 99.1 | 11.5% |
| Sales (Rs mn) | 126918.9 | 110899.0 | 14.4% |
| Average realization (Rs/ton) | 1148.6 | 1119.1 | 2.6% |

Source: Company Filings; IndiaNivesh Research



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