

February 01, 2012

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Rating	Accumulate
Price	Rs327
Target Price	Rs390
Implied Upside	19.3%
Sensex	17,194
Nifty	5,199

(Prices as on January 31, 2012)

Trading data

Market Cap. (Rs bn)	1,982.7
Shares o/s (m)	6,316.4
3M Avg. Daily value (Rs m)	1511.5

Major shareholders

Promoters	90.00%
Foreign	6.32%
Domestic Inst.	1.57%
Public & Other	2.11%

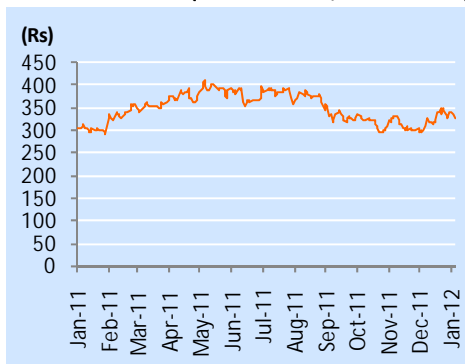
Stock Performance

(%)	1M	6M	12M
Absolute	8.8	(16.5)	6.1
Relative	(2.4)	(11.0)	12.3

How we differ from Consensus

EPS (Rs)	PL	Cons.	% Diff.
2012	23.1	23.3	-1.0
2013	25.6	26.3	-2.7

Price Performance (RIC: COAL.BO, BB: COAL IN)



Source: Bloomberg

Coal India (CIL) cut the earlier announced GCV-based prices in the range of 20-30% across its major grades. However, we continue to maintain that net impact (compared to initial UHV based prices) would be difficult to assess, given the ambiguity on the actual GCV of the coal and multiple GCV bands. Nonetheless, we believe that the development is negative for the stock in the near term.

- Prices cut in the range of 20-30%:** In response to strong opposition by consumers against the recently announced GCV based prices, CIL reduced the prices of its main E and F grade or 3700-4600 GCV (constitute 3/4th of volumes) by 20-30%. Prices for the non-priority consumers normalised at 35% premium to the prices for priority sector across the bands with GCV<=5800.
- Difficult to assess the impact on revenue:** Given the ambiguity regarding actual GCV of coal and unknown variable of grade slippage, it remains difficult to assess the net impact on revenue with the revised prices as it was with the earlier announced prices. However, we strongly believe that there lies no urgency on Coal India to take a hit on revenue.
- Management maintains its revenue neutral stance:** Based on media reports, management maintained that the impact on revenue would remain neutral even with the reduced prices. However, the management accepted that initial announced prices boosted realisations by 12.5% MoM, contrary to previous announcement of no impact on revenue.
- Maintain Accumulate with TP of Rs390:** We maintain our **Accumulate** rating with a TP of Rs390, 12.5x FY13E core EPS (adjusted for OBR adjustment and non-operational income). However, we see weakness in the near term substantiated by 1) concerns associated with revised prices 2) higher-than-expected wage revision 3) continuous underperformance on the volume front.

Key financials (Y/e March)	2010	2011	2012E	2013E
Revenues (Rs m)	446,153	502,336	594,202	655,694
Growth (%)	15.0	12.6	18.3	10.3
EBITDA (Rs m)	105,360	134,791	164,405	182,426
PAT (Rs m)	96,224	108,674	146,145	161,756
EPS (Rs)	15.2	17.2	23.1	25.6
Growth (%)	362.9	12.9	34.5	10.7
Net DPS (Rs)	3.5	3.9	5.1	5.7

Profitability & Valuation	2010	2011	2012E	2013E
EBITDA margin (%)	23.6	26.8	27.7	27.8
RoE (%)	43.0	36.8	38.0	32.9
RoCE (%)	37.5	33.2	35.1	30.7
EV / sales (x)	3.8	3.2	2.6	2.2
EV / EBITDA (x)	16.1	12.0	9.3	7.8
PE (x)	21.5	19.0	14.1	12.8
P / BV (x)	8.0	6.2	4.7	3.8
Net dividend yield (%)	1.1	1.2	1.6	1.7

Source: Company Data; PL Research

Exhibit 1: Prices reduced by 20-30% in major grades

GCV	Prices effective from 1st Feb2012		Prices effective from 1st Jan2012		Change in prices %	
	For Priority sector (Rs/tonne)	Others	For Priority sector (Rs/tonne)	Others	For Priority sector (Rs/tonne)	Others
>7000			4900	4900		
>6700-7000	4870	4870	4690	4690	3.8	3.8
>6400-6700	4420	4420	4460	4460	(0.9)	(0.9)
>6100-6400	3970	3970	4130	4130	(3.9)	(3.9)
>5800-6100	2800	2800	3990	3990	(29.8)	(29.8)
>5500-5800	1450	1960	2940	3430	(50.7)	(42.9)
>5200-5500	1270	1720	2060	2750	(38.3)	(37.5)
>4900-5200	1140	1540	1890	2520	(39.7)	(38.9)
>4600-4900	880	1180	1680	2230	(47.6)	(47.1)
>4300-4600	780	1050	970	1460	(19.6)	(28.1)
>4000-4300	640	870	880	1320	(27.3)	(34.1)
>3700-4000	600	810	630	1010	(4.8)	(19.8)
>3400-3700	550	740	630	1000	(12.7)	(26.0)
>3100-3400	500	680	620	990	(19.4)	(31.3)
>2800-3100	460	620	620	870	(25.8)	(28.7)
>2500-2200	410	550	550	780	(25.5)	(29.5)
>2200-2500	360	490	480	680	(25.0)	(27.9)

Source: Company Data, PL Research

Exhibit 2: New prices suggest ~1-3% drop in average realisations

GCV	Prices under new system			Prices under old system		
	For Priority sector (Rs/tonne)	Others	Grade	GCV	For Priority sector (Rs/tonne)	Others
>7000	5100	4900	A	>6401	3690-4100	3690-4100
>6700-7000	4870	4870	A	>6401	3690-4100	3690-4100
>6400-6700	4420	4420	A	>6401	3690-4100	3690-4100
>6100-6400	3970	3970	B	>5800-6401	3590-3990	3590-3990
>5800-6100	2800	2800	B	>5800-6401	3590-3990	3590-3990
>5500-5800	1450	1960	C	>5400-5801	1050-1860	1300-2420
>5200-5500	1270	1720	D	>4800-5401	880-1610	1140-2090
>4900-5200	1140	1540	D	>4800-5401	880-1610	1140-2090
>4600-4900	880	1180	E	>4200-4801	730-1090	950-1420
>4300-4600	780	1050	E	>4200-4801	730-1090	950-1420
>4000-4300	640	870	F	>3600-4201	570-870	740-1130
>3700-4000	600	810	F	>3600-4201	570-870	740-1130
>3400-3700	550	740	G	>3200-3601	430-700	560-910
>3100-3400	500	680	G	>3200-3601	430-700	560-910
>2800-3100	460	620				
>2500-2200	410	550				
>2200-2500	360	490				

Source: Company Data, PL Research

Income Statement (Rs m)

Y/e March	2010	2011	2012E	2013E
Net Revenue	446,153	502,336	594,202	655,694
Raw Material Expenses	42,598	39,368	54,913	61,777
Gross Profit	403,554	462,968	539,289	593,917
Employee Cost	166,555	182,110	222,116	242,641
Other Expenses	131,639	146,066	152,768	168,850
EBITDA	105,360	134,791	164,405	182,426
Depr. & Amortization	13,138	16,462	19,107	19,045
Net Interest	886	791	746	734
Other Income	48,626	47,628	67,802	72,388
Profit before Tax	139,962	165,165	212,354	235,035
Total Tax	43,425	55,959	65,659	72,673
Profit after Tax	96,537	109,207	146,694	162,362
Ex-Od items / Min. Int.	—	—	—	—
Adj. PAT	96,224	108,674	146,145	161,756
Avg. Shares O/S (m)	6,316.4	6,316.4	6,316.4	6,316.4
EPS (Rs.)	15.2	17.2	23.1	25.6

Cash Flow Abstract (Rs m)

Y/e March	2010	2011	2012E	2013E
C/F from Operations	105,956	89,974	131,413	145,327
C/F from Investing	9,497	6,975	6,828	9,937
C/F from Financing	(21,625)	(29,108)	(44,854)	(45,321)
Inc. / Dec. in Cash	93,828	67,841	93,386	109,943
Opening Cash	296,950	390,778	458,623	552,009
Closing Cash	390,778	458,623	552,009	661,952
FCFF	128,541	107,675	138,207	159,938
FCFE	126,688	103,579	137,207	158,938

Key Financial Metrics

Y/e March	2010	2011	2012E	2013E
Growth				
Revenue (%)	15.0	12.6	18.3	10.3
EBITDA (%)	328.1	27.9	22.0	11.0
PAT (%)	362.9	12.9	34.5	10.7
EPS (%)	362.9	12.9	34.5	10.7
Profitability				
EBITDA Margin (%)	23.6	26.8	27.7	27.8
PAT Margin (%)	21.6	21.6	24.6	24.7
RoCE (%)	37.5	33.2	35.1	30.7
RoE (%)	43.0	36.8	38.0	32.9
Balance Sheet				
Net Debt : Equity	(1.4)	(1.3)	(1.2)	(1.2)
Net Wrkng Cap. (days)	(2,827)	(3,094)	(2,344)	(2,197)
Valuation				
PER (x)	21.5	19.0	14.1	12.8
P / B (x)	8.0	6.2	4.7	3.8
EV / EBITDA (x)	16.1	12.0	9.3	7.8
EV / Sales (x)	3.8	3.2	2.6	2.2
Earnings Quality				
Eff. Tax Rate	31.1	34.0	31.0	31.0
Other Inc / PBT	35.0	29.0	31.9	30.7
Eff. Depr. Rate (%)	3.8	4.5	4.7	4.3
FCFE / PAT	131.7	95.3	93.9	98.3

Source: Company Data, PL Research.

Balance Sheet Abstract (Rs m)

Y/e March	2010	2011	2012E	2013E
Shareholder's Funds	257,952	333,172	435,474	548,703
Total Debt	19,631	15,536	14,536	13,536
Other Liabilities	15,010	16,540	20,419	24,648
Total Liabilities	292,594	365,247	470,429	586,887
Net Fixed Assets	142,461	150,610	172,953	195,452
Goodwill	—	—	—	—
Investments	12,821	10,637	10,637	10,637
Net Current Assets	127,691	195,235	278,073	372,031
<i>Cash & Equivalents</i>	<i>390,782</i>	<i>458,623</i>	<i>552,009</i>	<i>661,952</i>
<i>Other Current Assets</i>	<i>152,466</i>	<i>185,337</i>	<i>189,125</i>	<i>198,901</i>
<i>Current Liabilities</i>	<i>415,557</i>	<i>448,725</i>	<i>463,061</i>	<i>488,822</i>
Other Assets	9,620	8,766	8,766	8,766
Total Assets	292,594	365,247	470,429	586,887

Quarterly Financials (Rs m)

Y/e March	Q4FY11	Q1FY12	Q2FY12	Q3FY12E
Net Revenue	150,162	144,991	131,481	153,687
EBITDA	51,987	48,239	24,819	43,073
<i>% of revenue</i>	<i>34.6</i>	<i>33.3</i>	<i>18.9</i>	<i>28.0</i>
Depr. & Amortization	4,780	4,308	5,734	5,134
Net Interest	(12,056)	(15,492)	(17,814)	(19,443)
Other Income	12,466	15,589	17,942	19,578
Profit before Tax	59,433	59,555	36,990	57,381
Total Tax	17,224	18,115	11,132	17,214
Profit after Tax	42,209	41,439	25,858	40,167
Adj. PAT	42,096	41,351	25,796	40,167

Key Operating Metrics

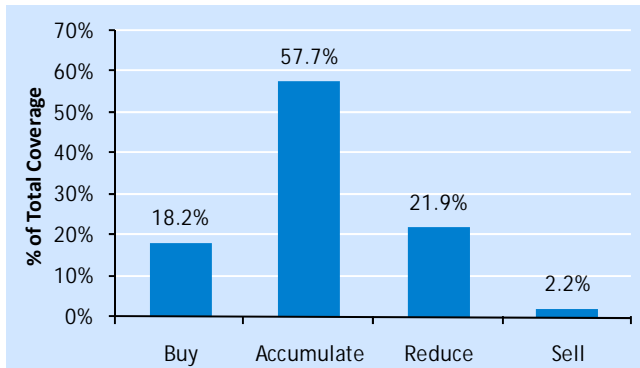
Y/e March	2010	2011	2012E	2013E
Raw coal prod (mn tn)	431	431	431	462
Coal despatches (mn tn)	415	424	431	462
Vol sold under FSA/MoU (mn tn)	352	356	362	394
Vol sold under E-auction (mn tn)	43	48	49	49
Beneficiated coal vol (mn tn)	15	15	15	15
Vol sold to power utilities (mn tn)	298	304	335	350
Real. / tonne (Rs)	1,070	1,170	1,366	1,408
Total cost per tonne (Rs)	946	833	868	997
Cash cost per tonne (Rs)	794	731	808	915
Employee cost / tonne (Rs)	437	386	422	515
EBITDA / tonne (Rs)	254	318	381	395
OBR adj / tonne (Rs)	54	71	61	62

Source: Company Data, PL Research.



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Rating Distribution of Research Coverage



PL's Recommendation Nomenclature

BUY	: Over 15% Outperformance to Sensex over 12-months	Accumulate	: Outperformance to Sensex over 12-months
Reduce	: Underperformance to Sensex over 12-months	Sell	: Over 15% underperformance to Sensex over 12-months
Trading Buy	: Over 10% absolute upside in 1-month	Trading Sell	: Over 10% absolute decline in 1-month
Not Rated (NR)	: No specific call on the stock	Under Review (UR)	: Rating likely to change shortly

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