January 9, 2018

Rating matrix		
Rating	:	Hold
Target	:	₹ 330
Target Period	:	12 months
Potential Upside	:	8%

What's Changed?	
Target	Changed from ₹ 255 to ₹ 330
EPS FY18E	Changed from ₹ 13.0 to ₹ 14.2
EPS FY19E	Changed from ₹ 16.5 to ₹ 24.4
Rating	Unchanged

Key Financials

₹ Crore	FY16	FY17	FY18E	FY19E
Total Op. Inc.	78,010	78,221	84,565	99,368
EBITDA	18,306	12,240	13,548	23,237
Net Profit	14,274	9,268	8,824	15,143
EPS (₹)	22.6	14.9	14.2	24.4

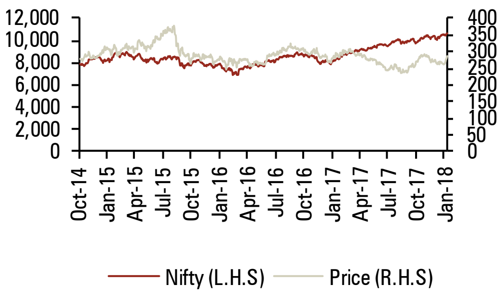
Valuation summary

	FY16	FY17	FY18E	FY19E
P/E	10.9	20.5	21.5	12.5
Target P/E	11.7	22.1	23.2	13.5
Adj. EV/EBITDA	5.5	11.0	10.9	6.9
P/BV	4.6	7.7	9.0	8.2
RoNW	42.1	37.8	41.3	64.1
RoCE	45.0	33.5	41.4	72.0

Stock data

Particular	Amount
Market Capitalization	₹ 189947 crore
Total Debt (FY17)	₹ 3008 crore
Cash and Investments (FY17)	₹ 31230 crore
EV	₹ 161725 crore
52 week H/L	332 / 233
Equity capital	₹ 6207.4 crore
Face value	₹ 10

Price Chart



Research Analyst

Dewang Sanghavi
dewang.sanghavi@icicisecurities.com

Akshay Kadam
akshay.kadam@icicisecurities.com

Coal India (COALIN)

₹ 305

Price hike bodes well…

In its board meeting, Coal India (CIL) has approved the upward revision of non-coking coal prices with effect from January 9, 2018. The price hike will be applicable to all subsidiaries including North Eastern Coalfields for regulated and non-regulated sectors. CIL, on account of this price revision will earn incremental revenues of ~₹ 1956 crore for the balance period of FY18. For FY19E, the projected incremental revenue would be ~₹ 6421 crore. Further, in December 2017, the company also levied an evacuation facility charge of ₹ 50/tonne on despatch of coal on all despatches, except through rapid loading arrangement (with immediate effect from December 19, 2017). The said levy is also expected to generate revenues of ₹ 2500 crore in FY19E. The benefit of both price hike and levy of evacuation charges is likely to flow down positively to EBITDA, which augurs well.

Reports healthy uptick in coal offtake…

Coal India's offtake volumes posted healthy growth of 7.6% YoY in 9MFY18 (April-December). Offtake volumes during the period were at 421.4 million tonne (MT) vs. 391.5 MT a year ago. Sales volume growth took place amid tepid production growth of 1.7% YoY in 9MFY18. On the back of traction witnessed in coal sales offtake, we maintain our coal sales volume estimate of 580 MT for FY18E and 625 MT for FY19E. We expect e-auction volumes to come in at 100 MT for both FY18E and FY19E.

Exhibit 1: Changes in Estimates

(₹ Crore)	FY18E			FY19E		
	New	Old	%Change	New	Old	%Change
Total Op. Income	84,565	80,965	4.4	99,368	90,930	9.3
EBITDA	13,548	12,185	11.2	23,237	15,599	49.0
EBITDA Margin (%)	16.0	15.1	97 bps	23.4	17.2	623 bps
PAT	8,824	8,079	9.2	15,143	10,221	48.2
EPS (₹)	14.2	13.0	9.3	24.4	16.5	47.9
E-auction volume	100	100	0.0	100	100	0.0
Overall Sales volume	580	580	0.0	625	625	0.0

Source: Company, ICICIdirect.com Research

Topline getting augmented amid increased cost, maintain HOLD…

The price hike augurs well for CIL, as additional revenue generated through both price hike and evacuation charges will broadly aid the company in covering increased employee cost. CIL's employee cost increased on account of the wage hike finalised earlier during the year leading to an annual impact of ₹ 5667 crore. We upward revise our topline and EBITDA estimates for FY18E and FY19E reflecting the additional revenues to be generated. We value the stock at 7.5x FY19E adjusted EV/EBITDA and arrive at a target price of ₹ 330. We maintain **HOLD** recommendation on the stock with a target price of ₹ 330.

Financials

Profit and loss statement				(₹ crore)
(Year-end March)	FY16	FY17	FY18E	FY19E
Net Sales	75644.3	75466.6	82103.3	96783.6
Other Operating Income	2,365.9	2,754.0	2,461.4	2,584.5
Total Operating Income	78010.1	78220.6	84564.7	99368.1
Growth (%)	5.2	0.3	8.1	17.5
Raw Materials Consumed	5,638.3	5,725.3	5,716.8	4,372.5
Employee Expenses	29,659.8	33,514.3	39,735.2	43,549.0
Contractual Expenses	11,129.2	12,304.1	11,600.7	13,429.8
Overburden removal adjustment	2,811.4	2,672.2	2,610.2	3,044.2
Power & Fuel	2,503.5	2,558.1	2,320.1	2,498.6
Others	7,961.5	9,206.8	9,033.2	9,236.9
Total Operating Expenditure	59703.8	65980.7	71016.3	76130.8
EBITDA	18306.3	12239.9	13548.4	23237.2
Growth (%)	5.6	-33.1	10.7	71.5
Depreciation	2466.4	2910.1	3320.6	3814.9
Interest	20.7	411.7	165.2	148.7
Other Income	5728.5	5515.6	3107.5	3328.2
Exceptional Item	(41.5)	-	-	-
PBT	21589.1	14433.7	13170.0	22601.9
Total Tax	7314.8	5166.0	4346.1	7458.6
PAT	14274.3	9267.7	8823.9	15143.3
Growth (%)	4.0	-35.1	-4.8	71.6
Adj EPS (₹)	22.6	14.9	14.2	24.4

Source: Company, ICICIdirect.com Research

Cash flow statement				(₹ crore)
(Year-end March)	FY16	FY17	FY18E	FY19E
Profit after Tax	14274.3	9267.7	8823.9	15143.3
Add: Depreciation	2466.4	2910.1	3320.6	3814.9
Add: Interest	20.7	411.7	165.2	148.7
(Inc)/dec in Current Assets	-5480.3	-5530.2	-979.1	-10942.8
Inc/(dec) in CL and Prov.	5306.1	13171.7	-3350.8	9082.9
CF from operating activities	16587.2	20231.1	7979.8	17246.9
(Inc)/dec in Investments	-88.5	1419.1	-1000.0	-1000.0
(Inc)/dec in Fixed Assets	-5446.9	-11053.0	-8500.0	-10000.0
Others	-45.9	-447.1	0.0	0.0
CF from investing activities	-5581.4	-10081.0	-9500.0	-11000.0
Issue/(Buy back) of Equity	0.0	-109.0	0.0	0.0
Inc/(dec) in loan funds	788.5	1817.3	0.0	0.0
Interest Paid	-20.7	-411.7	-165.2	-148.7
Dividend paid & dividend tax	-20249.0	-14706.4	-16627.8	-17736.4
Others	-480.8	-3823.2	4641.9	4839.8
CF from financing activities	-19961.9	-17233.0	-12151.1	-13045.2
Net Cash flow	-8956.1	-7083.0	-13671.3	-6798.3
Opening Cash	47268.9	38312.8	31229.8	17558.5
Closing Cash	38312.8	31229.8	17558.5	10760.2

Source: Company, ICICIdirect.com Research

Balance sheet				(₹ crore)
(Year-end March)	FY16	FY17	FY18E	FY19E
Liabilities				
Equity Share Capital	6,316.4	6,207.4	6,207.4	6,207.4
Reserve and Surplus	27,581.2	18,319.4	15,157.4	17,404.1
Total Shareholders funds	33897.6	24526.8	21364.8	23611.5
Total Debt	1190.5	3007.8	3007.8	3007.8
Minority Interest	104.8	345.9	345.9	345.9
Total Liabilities	35192.9	27880.5	24718.5	26965.2
Assets				
Gross Block	51237.1	58688.9	67101.7	76317.4
Less: Acc Depreciation	31971.1	34881.2	38013.4	41828.3
Net Block	19266.0	23807.7	29088.2	34489.1
CWIP	4988.9	8590.1	8488.9	9273.2
Investments	2901.9	1482.9	2482.9	3482.9
Inventory	7595.3	8945.3	9050.0	12162.9
Debtors	11463.7	10735.9	11247.0	14583.8
Loans and Advances	10310.8	11715.9	12915.1	16120.0
Other Current Assets	13335.6	16838.7	16002.6	17290.9
Cash	38312.8	31229.8	17558.5	10760.2
Total Current Assets	81018.2	79465.5	66773.3	70917.7
Current Liabilities	22499.6	25575.9	25868.1	28637.3
Provisions	52527.0	62622.4	58979.4	65293.1
Current Liabilities & Prov	75026.7	88198.4	84847.5	93930.4
Net Current Assets	5991.6	-8732.9	-18074.3	-23012.7
others	2044.5	2732.8	2732.8	2732.8
Application of Funds	35192.9	27880.5	24718.5	26965.2

Source: Company, ICICIdirect.com Research

Key ratios				
(Year-end March)	FY16	FY17	FY18E	FY19E
Per share data (₹)				
Adj EPS	22.6	14.9	14.2	24.4
Cash EPS	26.5	19.6	19.6	30.5
BV	53.7	39.5	34.4	38.0
DPS	27.4	19.9	22.5	24.0
Cash Per Share	60.7	50.3	28.3	17.3
Operating Ratios (%)				
EBITDA Margin	23.5	15.6	16.0	23.4
PBT / Total Operating income	27.7	18.5	15.6	22.7
PAT Margin	18.3	11.8	10.4	15.2
Inventory days	33	40	40	40
Debtor days	55	52	50	55
Creditor days	109	124	115	108
Return Ratios (%)				
Adj RoE	42.1	37.8	41.3	64.1
Adj RoCE	45.0	33.5	41.4	72.0
RoIC	40.6	33.2	35.7	56.2
Valuation Ratios (x)				
P/E	13.5	20.5	21.5	12.5
Adj. EV / EBITDA	7.3	11.0	10.9	6.9
EV / Net Sales	2.1	2.2	2.2	1.9
Market Cap / Sales	2.6	2.6	2.4	2.0
Price to Book Value	5.7	7.7	8.9	8.0
Solvency Ratios				
Debt/EBITDA	0.1	0.2	0.2	0.1
Debt / Equity	0.0	0.1	0.1	0.1
Current Ratio	1.1	0.9	0.8	0.8
Quick Ratio	1.0	0.8	0.7	0.6

Source: Company, ICICIdirect.com Research

RATING RATIONALE

ICICIdirect.com endeavours to provide objective opinions and recommendations. ICICIdirect.com assigns ratings to its stocks according to their notional target price vs. current market price and then categorises them as Strong Buy, Buy, Hold and Sell. The performance horizon is two years unless specified and the notional target price is defined as the analysts' valuation for a stock.

Strong Buy: >15%/20% for large caps/midcaps, respectively, with high conviction;
Buy: >10%/15% for large caps/midcaps, respectively;
Hold: Up to +/-10%;
Sell: -10% or more;

Pankaj Pandey **Head – Research** **pankaj.pandey@icicisecurities.com**

ICICIdirect.com Research Desk,
ICICI Securities Limited,
1st Floor, Akruti Trade Centre,
Road No 7, MIDC,
Andheri (East)
Mumbai – 400 093
research@icicidirect.com

Disclaimer

ANALYST CERTIFICATION

We /I, Dewang Sanghavi MBA (FIN) and Akshay Kadam MBA (FIN), Research Analysts, authors and the names subscribed to this report, hereby certify that all of the views expressed in this research report accurately reflect our views about the subject issuer(s) or securities. We also certify that no part of our compensation was, is, or will be directly or indirectly related to the specific recommendation(s) or view(s) in this report.

Terms & conditions and other disclosures:

ICICI Securities Limited (ICICI Securities) is a full-service, integrated investment banking and is, *inter alia,* engaged in the business of stock brokering and distribution of financial products. ICICI Securities Limited is a Sebi registered Research Analyst with Sebi Registration Number – INH000000990. ICICI Securities is a wholly-owned subsidiary of ICICI Bank which is India's largest private sector bank and has its various subsidiaries engaged in businesses of housing finance, asset management, life insurance, general insurance, venture capital fund management, etc. ("associates"), the details in respect of which are available on www.icicibank.com.

ICICI Securities is one of the leading merchant bankers/ underwriters of securities and participate in virtually all securities trading markets in India. We and our associates might have investment banking and other business relationship with a significant percentage of companies covered by our Investment Research Department. ICICI Securities generally prohibits its analysts, persons reporting to analysts and their relatives from maintaining a financial interest in the securities or derivatives of any companies that the analysts cover.

The information and opinions in this report have been prepared by ICICI Securities and are subject to change without any notice. The report and information contained herein is strictly confidential and meant solely for the selected recipient and may not be altered in any way, transmitted to, copied or distributed, in part or in whole, to any other person or to the media or reproduced in any form, without prior written consent of ICICI Securities. While we would endeavour to update the information herein on a reasonable basis, ICICI Securities is under no obligation to update or keep the information current. Also, there may be regulatory, compliance or other reasons that may prevent ICICI Securities from doing so. Non-rated securities indicate that rating on a particular security has been suspended temporarily and such suspension is in compliance with applicable regulations and/or ICICI Securities policies, in circumstances where ICICI Securities might be acting in an advisory capacity to this company, or in certain other circumstances.

This report is based on information obtained from public sources and sources believed to be reliable, but no independent verification has been made nor is its accuracy or completeness guaranteed. This report and information herein is solely for informational purpose and shall not be used or considered as an offer document or solicitation of offer to buy or sell or subscribe for securities or other financial instruments. Though disseminated to all the customers simultaneously, not all customers may receive this report at the same time. ICICI Securities will not treat recipients as customers by virtue of their receiving this report. Nothing in this report constitutes investment, legal, accounting and tax advice or a representation that any investment or strategy is suitable or appropriate to your specific circumstances. The securities discussed and opinions expressed in this report may not be suitable for all investors, who must make their own investment decisions, based on their own investment objectives, financial positions and needs of specific recipient. This may not be taken in substitution for the exercise of independent judgment by any recipient. The recipient should independently evaluate the investment risks. The value and return on investment may vary because of changes in interest rates, foreign exchange rates or any other reason. ICICI Securities accepts no liabilities whatsoever for any loss or damage of any kind arising out of the use of this report. Past performance is not necessarily a guide to future performance. Investors are advised to see Risk Disclosure Document to understand the risks associated before investing in the securities markets. Actual results may differ materially from those set forth in projections. Forward-looking statements are not predictions and may be subject to change without notice.

ICICI Securities or its associates might have managed or co-managed public offering of securities for the subject company or might have been mandated by the subject company for any other assignment in the past twelve months.

ICICI Securities or its associates might have received any compensation from the companies mentioned in the report during the period preceding twelve months from the date of this report for services in respect of managing or co-managing public offerings, corporate finance, investment banking or merchant banking, brokerage services or other advisory service in a merger or specific transaction.

ICICI Securities or its associates might have received any compensation for products or services other than investment banking or merchant banking or brokerage services from the companies mentioned in the report in the past twelve months.

ICICI Securities encourages independence in research report preparation and strives to minimize conflict in preparation of research report. ICICI Securities or its associates or its analysts did not receive any compensation or other benefits from the companies mentioned in the report or third party in connection with preparation of the research report. Accordingly, neither ICICI Securities nor Research Analysts and their relatives have any material conflict of interest at the time of publication of this report.

It is confirmed that Dewang Sanghavi MBA (FIN) and Akshay Kadam MBA (FIN), Research Analysts of this report have not received any compensation from the companies mentioned in the report in the preceding twelve months.

Compensation of our Research Analysts is not based on any specific merchant banking, investment banking or brokerage service transactions.

ICICI Securities or its subsidiaries collectively or Research Analysts or their relatives do not own 1% or more of the equity securities of the Company mentioned in the report as of the last day of the month preceding the publication of the research report.

Since associates of ICICI Securities are engaged in various financial service businesses, they might have financial interests or beneficial ownership in various companies including the subject company/companies mentioned in this report.

It is confirmed that Dewang Sanghavi MBA (FIN) and Akshay Kadam MBA (FIN), Research Analysts do not serve as an officer, director or employee of the companies mentioned in the report.

ICICI Securities may have issued other reports that are inconsistent with and reach different conclusion from the information presented in this report.

Neither the Research Analysts nor ICICI Securities have been engaged in market making activity for the companies mentioned in the report.

We submit that no material disciplinary action has been taken on ICICI Securities by any Regulatory Authority impacting Equity Research Analysis activities.

This report is not directed or intended for distribution to, or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject ICICI Securities and affiliates to any registration or licensing requirement within such jurisdiction. The securities described herein may or may not be eligible for sale in all jurisdictions or to certain category of investors. Persons in whose possession this document may come are required to inform themselves of and to observe such restriction.