

# Coal India Ltd

*-Beneficiary of E-Auction volume Recovery*



# Coal India Ltd– Investment Snapshot

**Recommendation :- BUY**

**Maximum Portfolio Allocation :- 5%**

## Investment Phases & Buying Strategy

**1<sup>st</sup> Phase (Now) of Accumulation :- 50%**

**Current Accumulation Range :- 310-320 Rs**

Coal India is our medium term stock, which is a value stock and is a Good Investment under current Market conditions. It has a presence in a space which offers enormous potential and is also trading at reasonable valuations which will deliver superior returns in the long run.

## Core Investment Thesis :

The company is engaged in mining coal, the key material used in generating thermal power. CIL is the largest coal producing company in the world with huge coal reserves with reserves/production at ~40 years. The company also enjoys a dominant status in the domestic market wherein it contributes ~81% of **India's** total coal output.

**Current Market Price – Rs.317.00**

**Current Dividend Yield – 8.66%**

**Bloomberg / Reuters Code –COAL. IN/  
COAL.NS**

**BSE / NSE Code – 533278/Coal India**

**Market Cap (In Rs. Cr) - 196496**

**Equity Share Capital [Cr]– 6316.36**

**Face Value – Rs. 10/-**

**52 Week High / Low – Rs.349.95/  
Rs.271.65**

**Pro oter's Holdi g – 79.65%  
Other Holdings - 20.35%**

# Largest reserves among International Peers

S. No	Company	Base Country	Reserves (million tonne)
1	Peabody Energy	USA	9285
2	Arch Coal	USA	5490
3	Adaro energy TBK pt	Indonesia	1194
4	Bayan resources	Indonesia	477
	<b>Coal India Ltd</b>	<b>India</b>	<b>18200</b>

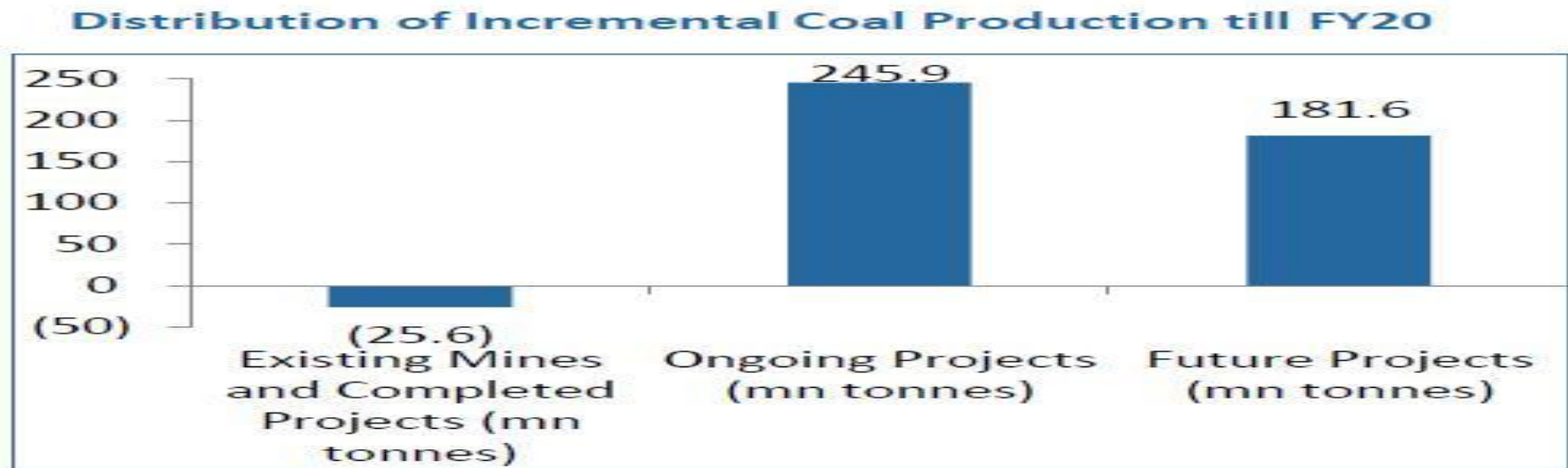
- CIL has the largest reserve base among all its peer group companies in the world which signifies the availability of reserves of the company.
- **CIL's** large reserves is likely to last for the next 40 years which provides the company with immense visibility in the long run.
- Though the grade of coal mined by Coal India is of low calorific value, the same can very well be utilized by domestic power plants, thereby generating valuable thermal energy.

# Lowest cost producer globally

Company	Reserves (million tonne)	Production (million tonne)	Sales (million tonne)	R/P ratio	Realisation (US\$ per tonne)	EBITDA/tonne (US\$ per tonne)	CoP/tonne (US\$ per tonne)
<b>Coal India Ltd</b>	<b>21754</b>	<b>452</b>	<b>465</b>	<b>47</b>	<b>23.7</b>	<b>5.3</b>	<b>18.4</b>
Peabody Energy	9285	NA	252	NA	27.9	4.2	23.7
Bayan resources	476.9	14	15	35	78.0	8.0	70.0
Arch Coal	5490	NA	140	NA	20.9	3.1	17.8

- CIL produces ~90% of its coal through open cast mining which has benefited the company to mine its coal at globally competitive cost.
- CIL produces major part of its coal through open cast mining and witnesses low stripping ratio of 1.8 thereby ensuring that reserves are easily extractable.
- The low cost of production has enabled the company to supply coal at highly competitive prices which has enabled the company to sell at 30% discount to international prices. This price differential enables the company to have stable prices even when weakness in the international prices persist.

# Improving Production



- The Indian government has set an ambitious target of doubling Coal **India's** coal output of around 1bn tonnes by FY20, translating into a production growth of 13.9% CAGR over FY14-20. Following the target, the company has planned a massive production expansion schedule, by which, the ongoing coal projects and future projects are likely to contribute around 245mn tonnes and 182mn tonnes, respectively, taking Coal **India's** total coal production to over 900mn tonnes by FY20.
- Backed by the opening-up of Amrapali coal mine with capacity of 12mn tonnes per year in July 2014, the company for the first time in its historic operations has reported a highest annual production growth rate of 10.7% in FY16.
- CIL has planned to open around 65 mines over FY17 with a cumulative capacity of around 200mn tonnes. Consequently, we forecast a coal production of 896mn tonnes by FY20, translating into a growth rate of the 12.6% CAGR over FY16-20.

# Easing Infra Bottlenecks

Rail infrastructures critical for addressing the off-take issue				
Subsidiary	State	Rail Project	Expected Completion Date	Potential Coal Evacuation Capacity (mn tonnes)
Central Coalfields Ltd.	Jharkhand	Tori - Shivpur and Shivpur - Kathotia	FY17	60
Mahanadi Coalfields Ltd.	Odisha	Jharsuguda - Barpali - Saradega and Angul - Kalinga	FY18	80
South Eastern Coalfields Ltd.	Chhattisgarh	Kharsia - Gharghoda - Dharamjaigarh	FY19	60

- In FY15, Coal India reported a lower off-take volume as compared to production volume. Lower off-take volume was mainly due to issues with coal evacuation. The company along with central government and state governments is planning to ease the transportation bottleneck, which would facilitate in increasing the coal off-take.
- CIL is developing three rail infrastructures projects linked to its key subsidiaries namely, Central Coalfields Ltd, Mahanadi Coalfields Ltd. and South Eastern Coalfields Ltd., which will help in evacuating incremental coal volume of around 200mn tonnes per year.
- **CIL's** rail infrastructure projects are likely to be completed by FY19. Additionally, the company is executing 54 evacuation projects across key states like Jharkhand, Chhattisgarh and Odisha, which will help in increasing the coal evacuation capacity by at least 200mn tonnes over next several years.



# Consolidated P&L

Consolidated Profit & Loss account(Rs.Cr)	Mar '12	Mar '13	Mar '14	Mar '15	Mar '16
Income					
Sales Turnover	65,812.25	68,302.74	73,691.71	79,458.74	83,440.02
Excise Duty	3,396.82	0	4,881.69	5,338.67	5,429.90
Net Sales	62,415.43	68,302.74	68,810.02	74,120.07	78,010.12
Other Income	7,554.67	8,746.68	8,969.37	6,570.63	5,728.44
Stock Adjustments	381.09	-493.92	-92.65	530.48	1,444.21
Total Income	70,351.19	76,555.50	77,686.74	81,221.18	85,182.77
Expenditure					
Raw Materials	5,504.07	6,062.11	7,022.05	7,256.44	7,082.55
Power & Fuel Cost	2,012.52	2,333.48	2,282.23	2,347.28	2,503.51
Employee Cost	25,253.60	27,320.78	28,504.23	29,874.12	29,659.83
Other Manufacturing Expenses	4,900.97	7,246.80	6,827.53	8,512.62	11,129.24
Miscellaneous Expenses	9,457.55	6,762.02	8,118.17	9,324.69	10,772.92
Total Expenses	47,128.71	49,725.19	52,754.21	57,315.15	61,148.05
Operating Profit	15,667.81	18,083.63	15,963.16	17,335.40	18,306.28
PBDIT	23,222.48	26,830.31	24,932.53	23,906.03	24,034.72
Interest	53.98	45.17	58	7.32	20.65
PBDT	23,168.50	26,785.14	24,874.53	23,898.71	24,014.07
Depreciation	1,969.22	1,812.97	1,996.41	2,319.80	2,466.44
Profit Before Tax	21,199.28	24,972.17	22,878.12	21,578.91	21,547.63
Extra-ordinary items	73.37	6.86	1.41	5	41.45
PBT (Post Extra-ord Items)	21,272.65	24,979.03	22,879.53	21,583.91	21,589.08
Tax	6,484.45	7,622.67	7,767.90	7,857.30	7,314.79
Reported Net Profit	14,788.20	17,356.36	15,111.63	13,726.61	14,274.29
Earning Per Share (Rs)	23.41	27.48	23.92	21.73	22.6



# Consolidated Balance Sheet

Consolidated Balance Sheet(Rs.Cr)	Mar '12	Mar '13	Mar '14	Mar '15	Mar '16
<b>Sources Of Funds</b>					
Total Share Capital	6,316.36	6,316.36	6,316.36	6,316.36	6,316.36
Equity Share Capital	6,316.36	6,316.36	6,316.36	6,316.36	6,316.36
Reserves	34,136.66	42,155.63	36,088.10	34,036.71	27,581.24
Networth	40,453.02	48,471.99	42,404.46	40,353.07	33,897.60
Secured Loans	0	1,077.79	0	230.7	1,016.85
Unsecured Loans	1,333.28	0	171.46	171.24	175.21
Total Debt	1,333.28	1,077.79	171.46	401.94	1,192.06
Minority Interest	53.6	63.6	63.6	65.83	104.81
Total Liabilities	41,839.90	49,613.38	42,639.52	40,820.84	35,194.47
<b>Application Of Funds</b>					
Gross Block	34,940.13	35,937.37	37,907.46	41,721.03	45,278.36
Less: Accum. Depreciation	21,499.84	22,471.61	23,312.53	25,605.99	26,917.59
Net Block	13,440.29	13,465.76	14,594.93	16,115.04	18,360.77
Capital Work in Progress	2,903.38	3,495.95	4,505.27	5,159.37	5,894.16
Investments	1,981.40	2,394.96	3,774.90	2,813.44	2,901.94
Inventories	6,071.28	5,617.83	5,568.07	6,183.82	7,595.34
Sundry Debtors	5,667.89	10,480.21	8,241.03	8,521.88	11,463.70
Cash and Bank Balance	58,202.78	62,236.00	52,389.53	53,092.52	38,312.77
Total Current Assets	69,941.95	78,334.04	66,198.63	67,798.22	57,371.81
Loans and Advances	18,679.59	23,874.05	15,168.62	18,655.39	25,690.99
Total CA, Loans & Advances	88,621.54	1,02,208.09	81,367.25	86,453.61	83,062.80
Current Liabilities	21,280.28	20,360.09	22,412.01	25,516.87	26,834.51
Provisions	43,826.43	51,591.29	39,190.82	44,203.75	48,190.69
Total CL & Provisions	65,106.71	71,951.38	61,602.83	69,720.62	75,025.20
Net Current Assets	23,514.83	30,256.71	19,764.42	16,732.99	8,037.60
Total Assets	41,839.90	49,613.38	42,639.52	40,820.84	35,194.47



THANK YOU