

Analysis of Coal India Limited (CIL)

Company Details

Type	State Owned Enterprise, Public Company
Traded in	BSE: 533278
	NSE: COALINDIA
	BSE SENSEX Constituent
Industry	Metals & Mining
Founded	1973
Headquarters	Kolkata, West Bengal, India
Charman & MD	S Narsing Rao
Product	Coal, Bituminous
Revenue(2012)	Rs. 826.41 Billion
Profit(2012)	Rs. 147.88 Billion
Number of Employees	372,546(2012)
Website	www.coalindia.in

Company Profile

- A Maharatna Company
- **Mission**
 - To produce and market the planned quality of coal and coal products efficiently and economically in an eco-friendly manner with due regard to safety, conservation and quality.
- **Vision**
 - To emerge as a global player in the primary energy sector committed to provide energy security to the country by attaining environmentally & socially sustainable growth through best practices from mine to market.

Tools for Financial Analysis

- Stock Valuation using
 - Residual Earning Method
 - Discounted Cash Flow Method
 - Residual Operating Income Method
 - Multiples Method

Discounted Cash Flow Method

Particulars	Mar'09(Actual)	Mar'10(Actual)	Mar'11(Actual)	Mar'12(Actual)	Mar'13(Actual)	Mar'14(Estimate)	Mar'15(Estimate)	Mar'16(Estimate)
Cash Flow from operating activities								
Net income	2,557.07	2,714.86	3,336.86	6,029.39	7,243.57	9,327.04	12,145.42	15,793.71
Non cash expense	6.17	8.99	5.57	6.96	4.96	11.62	15.87	21.33
Investments		0.21	2.6	222.02	2484.88	2,530.17	3,239.42	4,147.49
Effective Investment		-0.21	-2.6	-222.02	-2484.88	-2,530.17	-3,239.42	-4,147.49
Inventories		7.07	9.11	-17.19	-2.85	42.41	17.12	22.22
Effective inventory		-7.07	-9.11	17.19	2.85	-42.41	-17.12	-22.22
Sundry Debtors		-0.02	0	0.01	1.47	0.41	0.53	0.68
Effective sundry debtors		0.02	0	-0.01	-1.47	-0.41	-0.53	-0.68
Cash and Bank		2670.6	2526.16	3643.2	2801.56	5,074.95	6,497.55	8,318.93
Effective cash and bank		-2670.6	-2526.16	-3643.2	-2801.56	-5,074.95	-6,497.55	-8,318.93
Loans and Advances		-974.14	1104.55	-809.28	-2004.35	1,870.03	2,394.23	3,065.38
Effective loans and advances		974.14	-1104.55	809.28	2004.35	-1,870.03	-2,394.23	-3,065.38
Marketable Securities(Plug)		0	0	0	0	1,040.38	1,482.06	2,151.30
Effect. Market sec.		0	0	0	0	-1,040.38	-1,482.06	-2,151.30
Current Liabilities		242.52	1073.59	2691.9	-255.84	2,319.19	2,969.30	3,801.65
Provisions		-29.71	328.81	436.69	2888.5	1,214.66	1,555.15	1,991.08
Net operating cash flow	2,563.24	1,232.94	1,102.41	6,126.18	6,600.48	2,314.16	3,054.83	3,901.77
CAPEX		7.71	10.83	21.52	-37.89	61.34	79.86	104.05
FCF	2,563.24	1,225.23	1,091.58	6,104.66	6,638.37	2,252.82	2,974.97	3,797.72
PV OF FCF	7,307.39							
Terminal Value	246517.66							
Pv of terminal value=	183333.12							
Total enterprise value	190640.51							
Fair value of company=	189726.12							
Equity Value=	300.37							

Residual Earning Method

Particulars	Mar'13(Actual)	Mar'14(Estimate)	Mar'15(Estimate)	Mar'16(Estimate)
Assumption				
Growth Rate of Net Income(PAT) 4.94%				
Total Earnings	7243.57	9327.04	12145.42	15793.71
Total no. of Share	631.64	631.64	631.64	631.64
Earnings per share (In Rupees)	11.47	14.77	19.23	25.00
Book Value of Equity	20516.16	27759.73	37086.77	49232.19
Book value per share	32.48096326	43.94889725	58.71536918	77.94386898
Required rate of return	11.37%	11.37%	11.37%	11.37%
Residual Earnings		11.07	14.23	18.33
Present value of residual Earnings	34.69			
Terminal Value				299.23
Present value of terminal value	216.62			
Total value of Equity	283.79			

Residual Operating Income Method

Particulars	Mar'13(Actual)	Mar'14(Estimate)	Mar'15(Estimate)	Mar'16(Estimate)
Assumption				
Required Rate of Return(WACC) 10.37%				
Growth Rate of OI 3.94%				
Operating Income	7503.05	9481.46	12276.33	15904.68
Net Operating Assets	-12370.91	-15782.09	-20186.33	-25824.06
REOI		10764.89	12276.33	15904.68
Present Value of REOI	31658.21	27759.73	37086.77	49232.19
Continuing Value of REOI				257125.8718
Present Value of Continuing value	\$191,222.36			
Enterprise Value	210509.65			
Value of NFA	32887.07			
Value of Common Equity	243396.72			
Total Number of Shares	631.64			
Total value of Equity	385.34			

Multiples Methods - P/E

P/E RATIO BASED VALUATION

	2009	2010	2011	2012	2013	2014	2015	2016
Particulars	Actual	Actual	Actual	Actual	Actual	Estimate	Estimate	Estimate
Total Revenues	4,592.200	4,749.150	5,534.180	9,517.570	11,440.260	14,802.013	19,165.234	24,829.656
COGS	470.120	493.310	549.920	532.390	721.620	913.626	1,096.544	1,324.591
Gross Profit(EBITDA)	4,128.250	4,264.830	4,989.830	8,992.140	10,723.600	13,560.947	17,558.337	22,747.829
D&A	6.170	8.990	5.570	6.960	4.960	11.623	15.870	21.326
EBIT (Operating Profit)	4,122.080	4,255.840	4,984.260	8,985.180	10,718.640	13,544.938	17,537.608	22,720.974
Tax	1,095.885	1,163.511	1,430.082	2,584.023	3,104.385	3,997.304	5,205.180	6,768.732
Interest	475.300	386.460	222.890	378.730	375.650	220.593	187.007	158.534
Net Profit(PAT)	2,557.065	2,714.859	3,336.858	6,029.387	7,243.565	9,327.042	12,145.421	15,793.708
No. of Shares	631.636	631.636	631.636	631.636	631.636	631.636	631.636	631.636
EPS	4.048	4.298	5.283	9.546	11.468	14.766	19.229	25.004
Industry P/E	27.040							
Price/Share	109.467	116.222	142.849	258.115	310.093	399.286	519.939	676.120

Multiples Method - P/BV

P/BV RATIO BASED VALUATION

	Mar'09(Actual)	Mar'10(Actual)	Mar'11(Actual)	Mar'12(Actual)	Mar'13(Actual)	March 14 Est	March 15 Est	March 16 Est
Share capital	6316.36	6316.36	6316.36	6316.36	6316.36	6316.36	6316.36	6316.36
Reserve and surplus	8920.86	10744.36	13121.02	13248.39	14199.8	21,443.37	30,770.41	42,915.83
Book value	15237.22	17060.72	19437.38	19564.75	20516.16	27,759.73	37,086.77	49,232.19
Share Price		314.5	300.85	355.05	356.0203446	481.7191356	643.5728461	854.3343642
P/BV		0.018434158	0.015477909	0.018147434				

Average P/BV 0.017353167

Conclusion

Current Market Price

269.8

Method Name		Decision
Using Residual Earning Methods=	283.79 INR	BUY - STOCK IS UNDERVALUED
Using Discounted cash flow=	300.37 INR	BUY - STOCK IS UNDERVALUED
Using REOI Methods=	385.34 INR	BUY - STOCK IS UNDERVALUED
Using Multiples Methods - P/E	310.09 INR	BUY - STOCK IS UNDERVALUED
Using P/BV Method	356.02 INR	BUY - STOCK IS UNDERVALUED

Using all methods we get the current market value of stock to be underpriced. In order to generate Long term profits, it is advisable to buy the stock.

THANK YOU