

# Coal India

Estimate change



TP change



Rating change



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|                       |              |
|-----------------------|--------------|
| Bloomberg             | COAL IN      |
| Equity Shares (m)     | 6,207        |
| M.Cap.(INRb)/(USDb)   | 830.7 / 11.6 |
| 52-Week Range (INR)   | 256 / 119    |
| 1, 6, 12 Rel. Per (%) | -12/-18/-36  |
| 12M Avg Val (INR M)   | 1875         |

## Financials & Valuations (INR b)

| Y/E MARCH            | 2020  | 2021E | 2022E   |
|----------------------|-------|-------|---------|
| Sales                | 960.8 | 885.9 | 1,052.2 |
| EBITDA               | 219.2 | 136.4 | 245.1   |
| Adj. PAT             | 167.0 | 99.2  | 177.5   |
| EBITDA Margin (%)    | 22.8  | 15.4  | 23.3    |
| Cons. Adj. EPS (INR) | 27.1  | 16.1  | 28.8    |
| EPS Gr. (%)          | -4.4  | -40.6 | 78.9    |
| BV/Sh. (INR)         | 52.2  | 57.8  | 73.1    |
| <b>Ratios</b>        |       |       |         |
| Net D:E              | -0.7  | -0.6  | -0.8    |
| RoE (%)              | 51.9  | 27.9  | 39.4    |
| RoCE (%)             | 56.4  | 27.5  | 41.4    |
| Payout (%)           | 53.3  | 65.0  | 47.0    |
| <b>Valuations</b>    |       |       |         |
| P/E (x)              | 5.2   | 8.4   | 4.7     |
| P/BV (x)             | 2.7   | 2.3   | 1.9     |
| EV/EBITDA(x)         | 2.3   | 3.1   | 1.6     |
| Div. Yield (%)       | 8.6   | 7.7   | 10.0    |
| FCF Yield (%)        | -1.8  | 4.3   | 21.5    |

## Shareholding pattern (%)

| As On                            | Mar-20 | Dec-19 | Mar-19 |
|----------------------------------|--------|--------|--------|
| Promoter                         | 66.1   | 69.1   | 71.0   |
| DII                              | 22.1   | 19.5   | 19.0   |
| FII                              | 8.2    | 8.6    | 7.1    |
| Others                           | 3.6    | 2.8    | 3.0    |
| FII Includes depository receipts |        |        |        |

**CMP: INR135**
**TP: INR189 (+40%)**
**Buy**

## Subdued demand impacts off take; FSA real. strong

### Valuations attractive; dividend yield at ~10%

- Coal India (COAL)'s results highlight the impact of lower e-auction realizations and flattish volumes amid subdued thermal power demand. FSA realizations, though, have continued the improvement demonstrated over the past year on account of better grade quality.
- Muted power demand would impact off-take and e-auction realizations in the near term. However, we expect Coal India to tide over the situation given its large cash position (net cash: ~INR230b). Maintain Buy, with target price of INR189/sh based on 3.5x Sep'21 EV/EBITDA.

### EBITDA declines 9% YoY on lower e-auction realizations

- COAL's 4QFY20 adj. EBITDA (ex-OBR) declined 9% YoY to ~INR95b (est.: ~INR66b) due to lower e-auction realizations and muted power off-take. The beat on our estimates was driven by better-than-expected FSA realizations and a higher mix of e-auctions in the off-take. Other income rose 5% YoY to INR19.1b (est.: INR10.32). PBT declined 16% YoY to INR74.5b. Adj. PAT was down 23% YoY to INR46.3b (est.: INR28.9b).
- Revenue declined 3% YoY to ~INR276b (est.: INR257b) on lower e-auction realizations. Volumes were flat YoY at ~164mt (in-line). Cash cost (ex-OBR) decreased 1% YoY at INR981/t.
- FSA:** FSA volumes declined 2% YoY to 139.2mt. Realizations came in higher than our expectation at INR1,446/t (est.: INR 1,362/t) on continued better grade realization.
- E-Auction:** E-Auction volumes rose 26% YoY to 21mt. Conversely, realizations were down 24% YoY to INR2,105/t.
- Net profit for FY20 declined 4% YoY to INR167b. However, cash flow from operations fell 75% YoY to INR41.5b on account of stretched receivables.

### Management commentary: Receivables continue to rise

- COAL's management noted the co.'s receivables have continued to increase on account of liquidity constraints at DISCOMs that have been passed on to the generators. Receivables for COAL currently stand at INR180b (v/s ~INR140b at the end of Mar'20).
- COAL is focusing on OBR (overburden removal). OBR has increased 10% over the past few months despite an early and heavy monsoon. COAL is targeting a 30% YoY increase in OBR for FY21.

### Valuations attractive; Maintain Buy

- Over the near term, we expect vols. and e-auction realizations to be under pressure on muted power demand and significant stock at both mines and power plants.
- However, we expect Coal India to tide over the situation in the near term given its large cash position (net cash: ~INR230b). The stock trades attractively at ~1.6x FY22E EV/adj. EBITDA (v/s historical average of 7x) and PE of 5x (v/s average of ~13x), and offers dividend yield of ~10%. Maintain Buy, with target price of INR189/sh.

## Quarterly performance (consolidated) – INR b

| Y/E March           | FY19         |              |              |              | FY20         |              |              |              | FY19         | FY20         | FY20<br>4QE  | var<br>(%) |
|---------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|------------|
|                     | 1Q           | 2Q           | 3Q           | 4Q           | 1Q           | 2Q           | 3Q           | 4Q           |              |              |              |            |
| <b>Sales</b>        | <b>240.7</b> | <b>218.8</b> | <b>250.5</b> | <b>285.5</b> | <b>249.4</b> | <b>203.8</b> | <b>231.9</b> | <b>275.7</b> | <b>995.5</b> | <b>960.8</b> | <b>257.0</b> | <b>7</b>   |
| Change (%)          | -99.9        | -99.9        | -99.9        | -99.9        | 3.6          | -6.9         | -7.4         | -3.4         | 15.9         | -3.5         | -10.0        |            |
| <b>Adj. EBITDA</b>  | <b>65.4</b>  | <b>51.2</b>  | <b>79.7</b>  | <b>104.2</b> | <b>75.1</b>  | <b>42.5</b>  | <b>61.8</b>  | <b>95.2</b>  | <b>300.5</b> | <b>274.6</b> | <b>65.8</b>  | <b>45</b>  |
| As of % Sales       | 27.2         | 23.4         | 31.8         | 36.5         | 30.1         | 20.8         | 26.7         | 34.5         | 30.2         | 28.6         | 25.6         |            |
| Depreciation        | 7.5          | 8.1          | 8.6          | 10.4         | 7.3          | 7.9          | 8.9          | 10.3         | 34.5         | 34.5         | 11.5         | (10)       |
| OBR                 | 8.8          | 8.0          | 11.8         | 22.1         | 9.0          | 6.4          | 12.1         | 27.9         | 50.7         | 55.4         | 25.0         |            |
| Interest            | 1.1          | 0.0          | 0.6          | 1.0          | 0.2          | 1.7          | 1.5          | 1.7          | 2.8          | 5.0          | 0.7          |            |
| Other Income        | 12.8         | 16.1         | 11.6         | 18.2         | 11.5         | 16.3         | 14.1         | 19.1         | 58.7         | 61.1         | 10.2         | 88         |
| EO Inc/(Exp)        | 0.0          | 0.0          | 0.0          | 0.0          | 0.0          | 0.0          | 0.0          | 0.0          | 0.0          | 0.0          | 0.0          |            |
| <b>PBT</b>          | <b>60.9</b>  | <b>51.2</b>  | <b>70.3</b>  | <b>88.9</b>  | <b>70.1</b>  | <b>42.8</b>  | <b>53.3</b>  | <b>74.5</b>  | <b>271.3</b> | <b>240.7</b> | <b>38.8</b>  | <b>92</b>  |
| Tax                 | 23.0         | 20.3         | 24.6         | 28.7         | 23.8         | 7.5          | 14.1         | 28.2         | 96.6         | 73.7         | 9.9          | 186        |
| Tax Rate (%)        | 37.8         | 39.7         | 35.0         | 32.2         | 34.0         | 17.6         | 26.5         | 37.9         | 35.6         | 30.6         | 25.4         |            |
| <b>Reported PAT</b> | <b>37.8</b>  | <b>30.9</b>  | <b>45.7</b>  | <b>60.3</b>  | <b>46.3</b>  | <b>35.2</b>  | <b>39.2</b>  | <b>46.3</b>  | <b>174.6</b> | <b>167.0</b> | <b>28.9</b>  | <b>60</b>  |
| <b>Adjusted PAT</b> | <b>37.8</b>  | <b>30.9</b>  | <b>45.7</b>  | <b>60.3</b>  | <b>46.3</b>  | <b>35.2</b>  | <b>39.2</b>  | <b>46.3</b>  | <b>174.6</b> | <b>167.0</b> | <b>28.9</b>  | <b>60</b>  |
| Change (%)          | -99.8        | -99.2        | -99.8        | -99.9        | 22.3         | 14.2         | -14.1        | -23.2        | 46.8         | -4.4         | -52.1        |            |

Source: MOFSL, Company

## Exhibit 1: Key Operating Parameters

| Y/E March                  | FY19  |       |       |       | FY20  |       |       |       | FY19  | FY20  | FY20<br>4QE | var.<br>(%) | YoY  | QoQ  |
|----------------------------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------------|-------------|------|------|
|                            | 1Q    | 2Q    | 3Q    | 4Q    | 1Q    | 2Q    | 3Q    | 4Q    |       |       |             |             |      |      |
| <b>Volume (m tons)</b>     |       |       |       |       |       |       |       |       |       |       |             |             |      |      |
| Production                 | 136.9 | 119.6 | 156.0 | 194.4 | 136.9 | 104.0 | 147.5 | 213.7 | 606.9 | 601.6 | 213.2       | 0.2         | 10%  | 45%  |
| Sales/Off-take             | 153.5 | 137.3 | 153.8 | 163.6 | 153.5 | 122.4 | 141.6 | 163.9 | 608.2 | 581.1 | 164.5       | (0.4)       | 0%   | 16%  |
| - FSA                      | 130.4 | 116.8 | 135.8 | 142.4 | 130.3 | 103.8 | 127.7 | 139.2 | 525.4 | 501.0 | 148.2       | (6.1)       | -2%  | 9%   |
| - E-auction                | 19.4  | 17.7  | 14.7  | 16.7  | 19.1  | 15.5  | 9.8   | 21.0  | 68.5  | 65.4  | 12.3        | 70.6        | 26%  | 114% |
| - Washed Coal              | 2.6   | 2.4   | 2.9   | 3.3   | 3.1   | 2.3   | 2.3   | 3.3   | 11.2  | 11.0  | 3.5         | (6.8)       | -1%  | 42%  |
| - others                   | 0.7   | 0.7   | 0.7   | 1.0   | 0.8   | 0.7   | 1.7   | 0.6   | 3.1   | 3.7   | 0.9         | (32.9)      | -42% | -66% |
| <b>Realization (INR/t)</b> |       |       |       |       |       |       |       |       |       |       |             |             |      |      |
| - FSA                      | 1,298 | 1,282 | 1,334 | 1,460 | 1,370 | 1,438 | 1,411 | 1,446 | 1,348 | 1,416 | 1,362       | 6           | -1%  | 2%   |
| - E-auction                | 2,399 | 2,592 | 2,847 | 2,754 | 2,155 | 2,019 | 2,623 | 2,105 | 2,632 | 2,177 | 2,158       | (2)         | -24% | -20% |
| - Washed Coal              | 2,427 | 2,602 | 2,866 | 2,879 | 3,171 | 2,951 | 2,667 | 2,548 | 2,713 | 2,831 | 2,787       | (9)         | -11% | -4%  |
| - others                   | 2,943 | 3,182 | 3,425 | 3,559 | 3,644 | 3,832 | 2,060 | 3,643 | 3,306 | 2,957 | 3,384       | 8           | 2%   | 77%  |
| <b>Per ton (INR)</b>       |       |       |       |       |       |       |       |       |       |       |             |             |      |      |
| Revenue                    | 1,460 | 1,485 | 1,520 | 1,633 | 1,513 | 1,551 | 1,523 | 1,562 | 1,527 | 1,538 | 1,466       | 7           | -4%  | 3%   |
| cash EBITDA                | 426   | 373   | 518   | 637   | 489   | 347   | 437   | 581   | 494   | 473   | 400         | 45          | -9%  | 33%  |
| PAT                        | 247   | 225   | 297   | 368   | 302   | 288   | 277   | 282   | 287   | 287   | 176         | 61          | -23% | 2%   |
| Costs                      | 1,034 | 1,113 | 1,002 | 996   | 1,024 | 1,204 | 1,086 | 981   | 1,033 | 1,065 | 1,066       | (8)         | -1%  | -10% |

Source: MOFSL, Company

## Exhibit 2: CIL Valuation

|                       | FY18     | FY19     | FY20E     | FY21E    | FY22E      |
|-----------------------|----------|----------|-----------|----------|------------|
| Adjusted EBITDA       | 203,089  | 300,483  | 274,627   | 195,600  | 307,050    |
| Target EV/EBITDA (x)  |          |          | 3.5       | 3.5      | 3.5        |
| Target EV             |          |          | 961,195   | 684,600  | 1,074,675  |
| Net debt              | -311,085 | -316,302 | -235,315  | -227,739 | -346,697   |
| Equity value          |          |          | 1,196,510 | 912,339  | 1,421,372  |
|                       |          |          |           |          | 1,166,856  |
| <b>TP (INR/share)</b> |          |          |           |          | <b>189</b> |

Source: MOFSL, Company

**Exhibit 3: Adjusted P&L**

|                                | FY18           | FY19           | FY20           | FY21E          | FY22E            |
|--------------------------------|----------------|----------------|----------------|----------------|------------------|
| <b>Revenue</b>                 | <b>858,624</b> | <b>995,469</b> | <b>960,803</b> | <b>885,879</b> | <b>1,052,230</b> |
| Power FSA                      | 549,091        | 640,826        | 624,312        | 594,379        | 722,346          |
| Non Power FSA                  | 62,000         | 124,788        | 142,822        | 111,515        | 157,924          |
| E-Auction/MoU                  | 247,533        | 229,856        | 193,669        | 179,984        | 171,960          |
| <b>Sales (mt)</b>              | <b>580</b>     | <b>608</b>     | <b>581</b>     | <b>565</b>     | <b>665</b>       |
| YoY (%)                        | 6.8            | 4.9            | -4.5           | -2.8           | 17.7             |
| Power FSA                      | 424            | 458            | 426            | 405            | 494              |
| Share (%)                      | 73             | 75             | 73             | 72             | 74               |
| Non Power FSA                  | 36             | 67             | 75             | 60             | 85               |
| Eaution/MoU                    | 120            | 83             | 80             | 100            | 86               |
| <b>Revenue per ton</b>         | <b>1,480</b>   | <b>1,637</b>   | <b>1,653</b>   | <b>1,568</b>   | <b>1,582</b>     |
| YoY (%)                        | 2.6            | 10.6           | 1.0            | -5.2           | 0.9              |
| Power FSA                      | 1,295          | 1,399          | 1,465          | 1,469          | 1,463            |
| Non Power FSA                  | 1,723          | 1,851          | 1,904          | 1,859          | 1,858            |
| Eaution/MoU                    | 2,062          | 2,777          | 2,418          | 1,795          | 1,994            |
| <b>Cost of Mining (ex. OB)</b> | <b>655,535</b> | <b>694,986</b> | <b>686,176</b> | <b>690,279</b> | <b>745,180</b>   |
| CoP per ton                    | 1,130          | 1,143          | 1,181          | 1,222          | 1,121            |
| YoY (%)                        | -3.1           | 1.1            | 3.3            | 3.5            | -8.3             |
| Labor & social OH              | 616            | 644            | 688            | 704            | 606              |
| Contract                       | 220            | 220            | 239            | 265            | 243              |
| R&M                            | 143            | 144            | 146            | 146            | 136              |
| Others                         | 151            | 134            | 108            | 107            | 136              |
| <b>Adjusted EBITDA</b>         | <b>203,089</b> | <b>300,483</b> | <b>274,627</b> | <b>195,600</b> | <b>307,050</b>   |
| EBITDA per ton                 | 350            | 494            | 473            | 346            | 462              |
| YoY (%)                        | 26             | 41             | -4             | -27            | 33               |

Source: MOFSL, Company

**Conference call takeaways**

- Dispatches are down 22% YoY currently for the first quarter. The co. is trying to maintain production at the same level as dispatches. It is also undertaking efforts to auction as much coal as possible.
- Liquidity has tightened due to problems at the DISCOM level, which have flowed to the generators. Receivables currently stand at ~INR180b. State generation companies are not in a position to pay. The situation is unlikely to improve until September.
- FSA realization improved in FY20 owing to improving coal quality and fewer disputes.
- Expect manpower reduction by 13–14k per year for the next two years.
- Capex for FY20 stood at INR65–70b. The target for FY21 stands at INR110b. This includes capex on first-mile connectivity, railway infra, and heavy equipment machinery.
- The co. did an OBR of 1,156mt for FY20. OBR has increased 10% in the past few months despite an early and heavy monsoon. The co. is targeting a 30% YoY increase in OBR for FY21.
- Wage negotiations would commence in July next year. The co. does not expect commercial mining to affect these negotiations.
- The co. has auctioned 34mt in e-auctions and plans to improve this quantum in 2Q.
- It believes with the quality of coal available, it can export only to Bangladesh, Nepal, and Bhutan. Among these, Bangladesh has the potential for some coal requirement for its power plants, along with certain cement factories in Bhutan and Nepal. However, it is not looking at exports currently. Transportation costs may be an issue for dispatching coal beyond these countries as Indonesian coal is of better quality and may prove cheaper.

## Valuation and view

### India's dependence on coal to continue

- India continues to depend on coal for ~70% of its electricity requirements, with coal-based generation constituting 55% of the country's installed capacity (Coal: 205GW; All-India: 370GW). Despite the growing focus on renewables, coal would continue to dominate India's electricity production. We note that per capita electricity consumption in India remains low (1/16th of US, 1/5th of China, and 1/3rd of world average), implying significant room for coal and renewables to co-exist and grow. Assuming a 6.5% CAGR for power demand over FY20–25 and avg. annual 14GW of renewable capacity addition (at 20% PLF), incremental renewable generation would be just 115BU; this is insufficient to meet even overall incremental demand (419 BU) over the next five years.
- We expect coal-based generation to increase at a 6.5% CAGR over the same period, driving the need for coal in India. From a domestic perspective, we do not expect the government's initiative to increase participation in commercial coal mining to dent production for Coal India. Given the procedural hurdles, such as land acquisition and EC/FC clearances, output from such commercial mines would take time. Moreover, although Coal India accounts for ~80% of domestic coal production, it meets only ~70% of domestic demand. Thus, there exists a massive opportunity for import substitution (110–150mt of imported coal could be substituted). As and when commercial mines come up, it would likely displace these imports.

### Near-term headwinds: Negative operating leverage to kick in

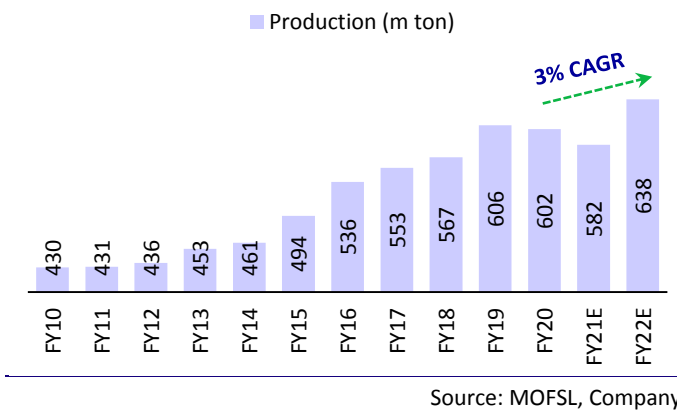
- Over the near term, we expect vols. and e-auction realizations to be under pressure. COVID-19-led lockdown in India came at a time when: a) power demand was largely muted and b) production at Coal India's mines had been ramped-up post a heavy monsoon season. Accordingly, inventory has increased at both coal mines and power plants.
- A large proportion of Coal India's costs are fixed in nature, with employee costs accounting for ~50% of the company's expenses. Furthermore, with the company focusing on OBR-removal activities, contractual employees would continue to be utilized, in our view. Thus, with lower dispatches, negative operating leverage would kick in.

### Valuations attractive; dividend yield at ~10%

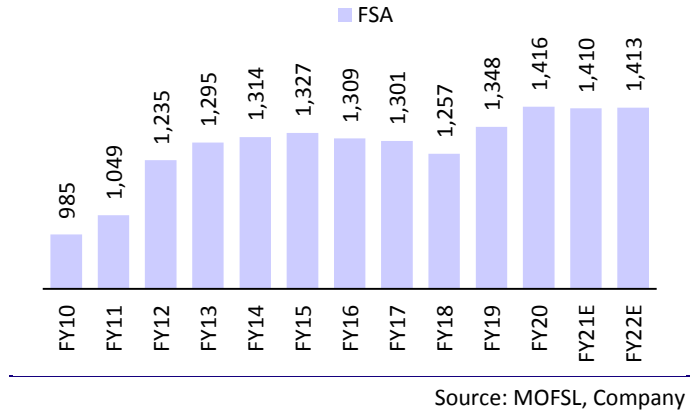
- Working capital could also be stretched with elevated receivables as cash issues due to lower demand emerge within the power value chain. However, we expect Coal India to tide over the situation in the near term given its large cash position (net cash: ~INR230b). The stock trades attractively at ~1.6x FY22E EV/adj. EBITDA (v/s historical average of 7x) and PE of 5x (v/s average of ~13x), and offers dividend yield of ~10%. Maintain Buy, with target price of INR189/sh.

## Story in charts

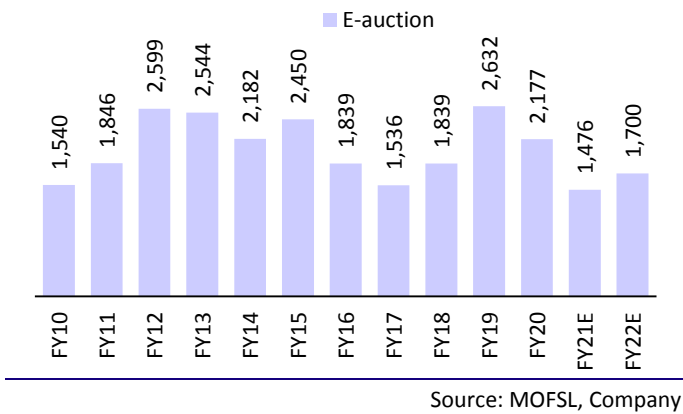
**Exhibit 4: Expect production to remain steady in the near term**



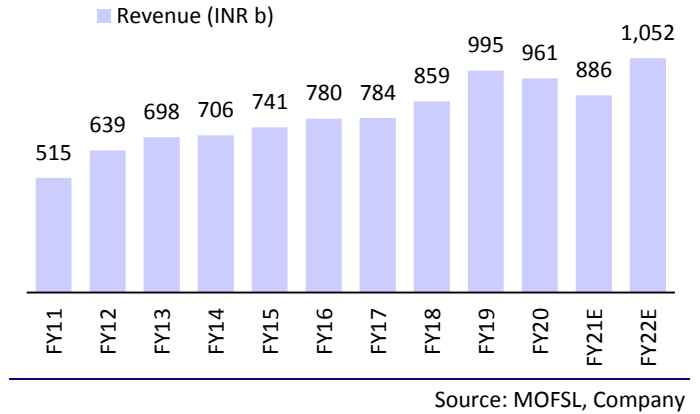
**Exhibit 5: FSA realizations have improved...**



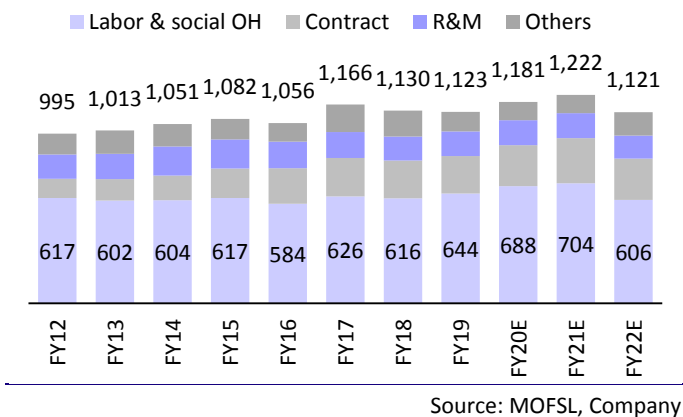
**Exhibit 6: ...but, we build-in lower e-auction realizations...**



**Exhibit 7: ...which could keep revenue in check**



**Exhibit 8: In FY21, negative operating leverage would kick in...**



**Exhibit 9: ...but we expect adj. EBITDA (ex-OBR) to recover in FY22**

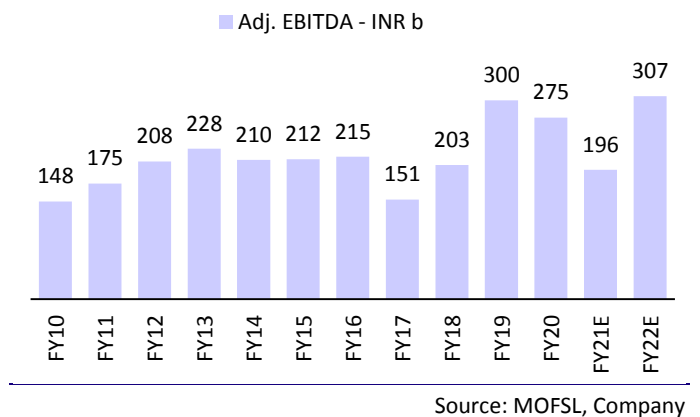
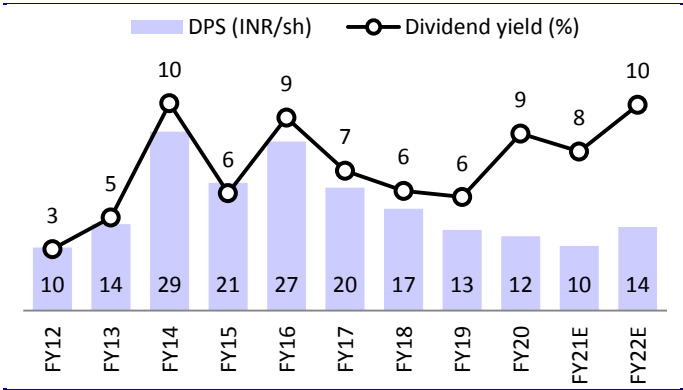
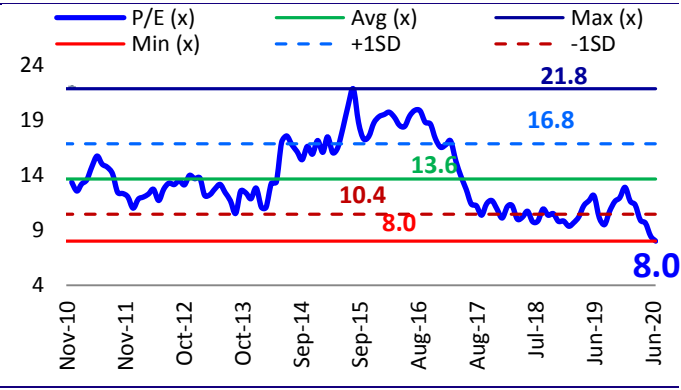


Exhibit 10: Dividend yield remains attractive



Source: MOFSL, Company

Exhibit 11: The stock trades attractively at a significant discount to historical valuations



Source: MOFSL, Company

## Financials and valuations

| Income Statement            |                |                |                |                |                |                | (INR m)        |                  |
|-----------------------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|------------------|
| Y/E March                   | FY15           | FY16           | FY17           | FY18           | FY19           | FY20           | FY21E          | FY22E            |
| <b>Net Sales</b>            | <b>741,201</b> | <b>780,073</b> | <b>783,719</b> | <b>858,624</b> | <b>995,469</b> | <b>960,803</b> | <b>885,879</b> | <b>1,052,230</b> |
| Change (%)                  | 5.0            | 5.2            | 0.5            | 9.6            | 15.9           | -3.5           | -7.8           | 18.8             |
| <b>EBITDA</b>               | <b>173,354</b> | <b>187,309</b> | <b>123,912</b> | <b>169,507</b> | <b>249,771</b> | <b>219,209</b> | <b>136,416</b> | <b>245,087</b>   |
| % of Net Sales              | 23.4           | 24.0           | 15.8           | 19.7           | 25.1           | 22.8           | 15.4           | 23.3             |
| Depreciation                | 23,198         | 28,259         | 29,101         | 30,664         | 34,504         | 34,508         | 35,933         | 37,358           |
| Interest                    | 73             | 3,862          | 4,117          | 4,318          | 2,750          | 5,029          | 5,079          | 5,130            |
| Other Income                | 65,706         | 59,406         | 55,156         | 46,583         | 58,737         | 61,054         | 37,258         | 34,708           |
| Extra Ordinary              | -50            | 0              | 0              | 73,844         | 0              | 0              | 0              | 0                |
| <b>PBT</b>                  | <b>215,839</b> | <b>214,594</b> | <b>145,850</b> | <b>107,264</b> | <b>271,255</b> | <b>240,725</b> | <b>132,660</b> | <b>237,307</b>   |
| Tax                         | 78,573         | 71,719         | 51,660         | 37,067         | 96,625         | 73,710         | 33,430         | 59,801           |
| Rate (%)                    | 36.4           | 33.4           | 35.4           | 34.6           | 35.6           | 30.6           | 25.2           | 25.2             |
| <b>PAT before Min. Int.</b> | <b>137,266</b> | <b>142,876</b> | <b>94,190</b>  | <b>70,198</b>  | <b>174,630</b> | <b>167,015</b> | <b>99,230</b>  | <b>177,505</b>   |
| Minority Interest           |                |                |                |                |                |                |                |                  |
| <b>Reported PAT</b>         | <b>137,266</b> | <b>142,876</b> | <b>94,190</b>  | <b>70,198</b>  | <b>174,630</b> | <b>167,015</b> | <b>99,230</b>  | <b>177,505</b>   |
| Change (%)                  | -9.2           | 4.1            | -34.1          | -25.5          | 148.8          | -4.4           | -40.6          | 78.9             |
| <b>Adjusted PAT</b>         | <b>137,266</b> | <b>142,876</b> | <b>94,190</b>  | <b>118,942</b> | <b>174,630</b> | <b>167,015</b> | <b>99,230</b>  | <b>177,505</b>   |
| Change (%)                  | -14.1          | 4.1            | -34.1          | 26.3           | 46.8           | -4.4           | -40.6          | 78.9             |

| Balance Sheet               |                |                |                |                  |                  |                  | (INR m)          |                  |
|-----------------------------|----------------|----------------|----------------|------------------|------------------|------------------|------------------|------------------|
| Y/E March                   | FY15           | FY16           | FY17           | FY18             | FY19             | FY20             | FY21E            | FY22E            |
| Share Capital               | 63,164         | 63,164         | 62,074         | 62,074           | 61,627           | 61,627           | 61,627           | 61,627           |
| Reserves                    | 340,367        | 285,168        | 183,194        | 136,392          | 202,912          | 259,942          | 294,672          | 388,750          |
| <b>Net Worth</b>            | <b>403,531</b> | <b>348,332</b> | <b>245,268</b> | <b>198,466</b>   | <b>264,539</b>   | <b>321,569</b>   | <b>356,300</b>   | <b>450,377</b>   |
| Minority Interest           | 658            | 1,048          | 3,459          | 3,625            | 4,068            | 3,941            | 3,941            | 3,941            |
| Loans                       | 4,019          | 11,921         | 30,078         | 15,309           | 22,027           | 64,260           | 64,260           | 64,260           |
| Deferred tax Liability      | -19,591        | -20,445        | -27,328        | -53,551          | -42,692          | -33,110          | -33,110          | -33,110          |
| <b>Capital Employed</b>     | <b>388,617</b> | <b>340,855</b> | <b>251,477</b> | <b>163,849</b>   | <b>247,943</b>   | <b>356,660</b>   | <b>391,391</b>   | <b>485,468</b>   |
| <b>Gross Fixed Assets</b>   | <b>448,080</b> | <b>234,137</b> | <b>276,883</b> | <b>325,733</b>   | <b>401,631</b>   | <b>473,802</b>   | <b>568,802</b>   | <b>663,802</b>   |
| Less: Depreciation          | 286,929        | 26,824         | 55,984         | 84,805           | 115,888          | 150,397          | 186,330          | 223,689          |
| <b>Net Fixed Assets</b>     | <b>161,150</b> | <b>207,314</b> | <b>220,900</b> | <b>240,928</b>   | <b>285,742</b>   | <b>323,405</b>   | <b>382,472</b>   | <b>440,113</b>   |
| Capital Work in Progress    | 51,594         | 59,044         | 103,078        | 137,710          | 136,984          | 127,714          | 127,714          | 127,714          |
| Investments                 |                | 73             | 106            | 3,443            | 4,622            | 4,622            | 4,622            | 4,622            |
| <b>Current Assets</b>       | <b>873,074</b> | <b>841,406</b> | <b>809,377</b> | <b>839,286</b>   | <b>857,149</b>   | <b>1,011,365</b> | <b>1,011,953</b> | <b>1,130,902</b> |
| Inventory                   | 61,838         | 75,692         | 89,453         | 64,439           | 55,839           | 66,189           | 84,947           | 92,250           |
| Debtors                     | 85,219         | 114,476        | 107,359        | 86,892           | 54,986           | 144,082          | 133,489          | 129,727          |
| Other Current Assets        | 61,808         | 241,078        | 285,187        | 351,324          | 391,553          | 490,106          | 490,106          | 490,106          |
| Loans and Advances          | 105,150        | 1,024          | 358            | 10,238           | 16,441           | 11,412           | 11,412           | 11,412           |
| Cash                        | 559,060        | 409,137        | 327,021        | 326,394          | 338,330          | 299,575          | 291,999          | 407,407          |
| <b>Current Liabilities</b>  | <b>697,201</b> | <b>766,982</b> | <b>881,984</b> | <b>1,057,518</b> | <b>1,036,554</b> | <b>1,110,445</b> | <b>1,135,370</b> | <b>1,217,883</b> |
| Payables                    | 9,208          | 32,972         | 39,002         | 45,169           | 68,155           | 101,076          | 66,816           | 87,366           |
| Other current liabilities   | 687,994        | 734,010        | 842,981        | 1,012,348        | 968,399          | 1,009,370        | 1,068,554        | 1,130,517        |
| <b>Net Curr. Assets</b>     | <b>175,873</b> | <b>74,424</b>  | <b>-72,607</b> | <b>-218,232</b>  | <b>-179,405</b>  | <b>-99,081</b>   | <b>-123,417</b>  | <b>-86,981</b>   |
| <b>Application of Funds</b> | <b>388,617</b> | <b>340,855</b> | <b>251,477</b> | <b>163,849</b>   | <b>247,943</b>   | <b>356,660</b>   | <b>391,391</b>   | <b>485,468</b>   |



## Financials and valuations

| Cash Flow Statement          |                 |                 |                 |                 |                 |                | (INR m)        |                |
|------------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|----------------|----------------|----------------|
| Y/E March                    | FY15            | FY16            | FY17            | FY18            | FY19            | FY20           | FY21E          | FY22E          |
| <b>Adj EBITDA*</b>           | <b>211,621</b>  | <b>215,423</b>  | <b>150,634</b>  | <b>203,089</b>  | <b>300,483</b>  | <b>274,627</b> | <b>195,600</b> | <b>307,050</b> |
| Non cash exp. (income)       | 21,428          | 21,565          | 37,046          | -54,587         | 10,718          | 9,569          | 10,930         | 10,434         |
| (Inc)/Dec in WC              | 6,487           | -26,697         | 60,216          | 138,450         | -48,918         | -123,268       | -42,424        | 17,008         |
| Taxes paid                   | -95,721         | -78,754         | -89,427         | -74,329         | -95,329         | -119,463       | -33,430        | -59,801        |
| <b>CF from Operations</b>    | <b>143,815</b>  | <b>131,538</b>  | <b>158,469</b>  | <b>212,623</b>  | <b>166,955</b>  | <b>41,465</b>  | <b>130,676</b> | <b>274,691</b> |
| Capex                        | -49,014         | -57,857         | -86,761         | -85,293         | -73,393         | -56,120        | -95,000        | -95,000        |
| <b>Free Cash Flow</b>        | <b>94,801</b>   | <b>73,681</b>   | <b>71,707</b>   | <b>127,330</b>  | <b>93,561</b>   | <b>-14,654</b> | <b>35,676</b>  | <b>179,691</b> |
| (Pur)/Sale of Investments    | 9,615           | -1              | -50             | -3,332          | -1,184          | -4,539         | 0              | 0              |
| Interest/dividend            | 52,871          | 50,349          | 34,642          | 24,044          | 31,410          | 34,573         | 26,328         | 24,275         |
| Other investing activity     | -9,615          | -3,344          | -209            | -297            | 9,054           | 9,055          |                |                |
| <b>CF from Investments</b>   | <b>3,857</b>    | <b>-10,852</b>  | <b>-52,379</b>  | <b>-64,878</b>  | <b>-34,114</b>  | <b>-17,032</b> | <b>-68,672</b> | <b>-70,725</b> |
| Equity raised/(repaid)       | 0               | 0               | -45,531         | 0               | 0               | 0              | 0              | 0              |
| Debt raised/(repaid)         | 1,935           | 9,902           | 18,169          | -14,778         | 6,718           | 22,776         | 0              | 0              |
| Interest paid                | -73             | -207            | -306            | -370            | -96             | -686           | -5,079         | -5,130         |
| Dividend (incl. tax)         | -155,963        | -208,302        | -151,031        | -123,238        | -112,110        | -96,760        | -64,499        | -83,428        |
| Other financing              | 3,844           | 2,732           | 2,720           | 2,513           | 3,972           | 5,169          |                |                |
| <b>CF from Fin. Activity</b> | <b>-150,257</b> | <b>-195,874</b> | <b>-175,980</b> | <b>-135,873</b> | <b>-101,516</b> | <b>-69,502</b> | <b>-69,579</b> | <b>-88,558</b> |
| <b>Inc/Dec of Cash</b>       | <b>-2,585</b>   | <b>-75,188</b>  | <b>-69,890</b>  | <b>11,872</b>   | <b>31,325</b>   | <b>-45,068</b> | <b>-7,575</b>  | <b>115,408</b> |
| Add: Beginning Balance       | 561,644         | 559,060         | 409,137         | 327,021         | 326,394         | 338,330        | 299,575        | 291,999        |
| <b>Closing Balance</b>       | <b>559,060</b>  | <b>483,872</b>  | <b>339,247</b>  | <b>338,893</b>  | <b>357,719</b>  | <b>293,262</b> | <b>291,999</b> | <b>407,407</b> |

### Ratios

| Y/E March                       | FY15        | FY16        | FY17        | FY18        | FY19        | FY20        | FY21E       | FY22E       |
|---------------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| <b>Adjusted EPS</b>             | <b>21.7</b> | <b>22.6</b> | <b>15.2</b> | <b>19.2</b> | <b>28.3</b> | <b>27.1</b> | <b>16.1</b> | <b>28.8</b> |
| Cash EPS                        | 31.5        | 31.5        | 24.2        | 29.5        | 42.2        | 41.7        | 31.5        | 44.9        |
| Book Value                      | 63.9        | 55.1        | 39.5        | 32.0        | 42.9        | 52.2        | 57.8        | 73.1        |
| DPS                             | 20.7        | 27.4        | 19.9        | 16.5        | 13.1        | 12.0        | 10.5        | 13.5        |
| Payout (incl. Div. Tax.)        | 112.9       | 145.5       | 160.3       | 103.3       | 55.5        | 53.3        | 65.0        | 47.0        |
| <b>Valuation (x)</b>            |             |             |             |             |             |             |             |             |
| P/E                             | 16.7        | 12.9        | 19.3        | 14.8        | 8.4         | 5.2         | 8.4         | 4.7         |
| Cash P/E                        | 11.5        | 9.3         | 12.1        | 9.6         | 5.6         | 3.4         | 4.3         | 3.0         |
| P/BV                            | 5.7         | 5.3         | 7.4         | 8.9         | 5.5         | 2.7         | 2.3         | 1.9         |
| EV/Adj. EBITDA                  | 8.2         | 6.7         | 10.1        | 7.1         | 3.8         | 2.3         | 3.1         | 1.6         |
| Dividend Yield (%)              | 5.7         | 9.4         | 6.8         | 5.8         | 5.5         | 8.6         | 7.7         | 10.0        |
| EV /ton of Reserves             | 79.7        | 66.6        | 69.9        | 66.6        | 52.7        | 28.9        | 27.9        | 22.6        |
| <b>Profitability Ratios (%)</b> |             |             |             |             |             |             |             |             |
| Debtor (Days)                   | 42.0        | 53.6        | 50.0        | 36.9        | 20.2        | 54.7        | 55.0        | 45.0        |
| Inventory (Days)                | 30.5        | 35.4        | 41.7        | 27.4        | 20.5        | 25.1        | 35.0        | 32.0        |
| Payables (Days)                 | 4.5         | 15.4        | 18.2        | 19.2        | 25.0        | 38.4        | 27.5        | 30.3        |
| Asset turnover(x)               | 1.9         | 2.3         | 3.1         | 5.2         | 4.0         | 2.7         | 2.3         | 2.2         |
| <b>Profitability Ratios (%)</b> |             |             |             |             |             |             |             |             |
| RoE                             | 34.0        | 41.0        | 38.4        | 35.4        | 66.0        | 51.9        | 27.9        | 39.4        |
| RoCE                            | 34.5        | 39.9        | 32.7        | 58.4        | 85.7        | 56.4        | 27.5        | 41.4        |
| RoIC                            | -45.5       | -60.6       | -40.0       | -37.7       | -51.7       | -83.4       | -138.9      | -356.3      |
| <b>Leverage Ratio</b>           |             |             |             |             |             |             |             |             |
| Net Debt/Equity (x)             | -1.4        | -1.1        | -1.2        | -1.6        | -1.2        | -0.7        | -0.6        | -0.8        |



| Explanation of Investment Rating |  |
|----------------------------------|--|
| Investment Rating                | Expected return (over 12-month)  |
| BUY                              | >=15%  |
| SELL                             | < - 10%  |
| NEUTRAL                          | < - 10 % to 15%  |
| UNDER REVIEW                     | Rating may undergo a change  |
| NOT RATED                        | We have forward looking estimates for the stock but we refrain from assigning recommendation |

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