



**COAL INDIA LTD.**

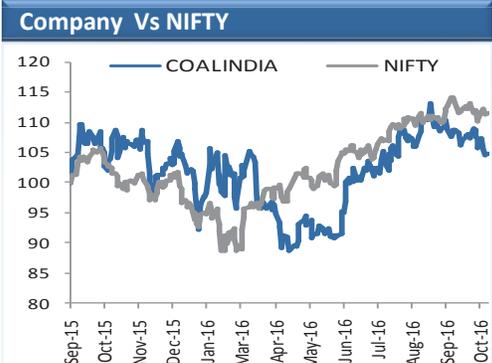
**BUY**  
27-Oct-16

Company Update	
CMP	316
Target Price	370
Previous Target Price	NA
Upside	17%
Change from Previous	NA

Market Data	
BSE Code	533278
NSE Symbol	COALINDIA
52wk Range H/L	350/272
Mkt Capital (Rs Cr)	199,439
Av. Volume(,000)	312.6
Nifty	8576

Stock Performance			
	1Month	1Year	YTD
Absolute	-3.4	-6.8	1.5
Rel.to Nifty	-3.4	-13.7	-9.5

Share Holding Pattern-%			
	Q2FY17	Q1FY17	Q4FY16
Promoter	79.7	79.7	79.7
Public	20.4	20.4	20.4
Others			
Total	100.0	100.0	100.0



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**View and Recommendation**

FSA realization is low due to adverse grade mix and we expect it should stabilize over the year. On the positive side, the share of e-auction/ washed coal reached a new high of 19% in the sales mix. E-auction prices have improved over the last two months. We cut our FY17-18E EPS looking at the risk factors (1) Volatility in FSA realisations (2) and The wage hike. Given the recent correction in stock at power plants, we expect offtake to pick up now. Global prices too should support e-auction prices. Considering all the facts we recommend BUY on the stock for a TP of Rs.370/share.

**After H1FY17 : Coal stock now is down to 20 days earlier at 28 Days**

- ◆ With the 24x7 power drive that is going on along with feeder separation, rural electrification and industrialisation, power consumption will go up.
- ◆ Power plants started optimising their inventory at an economically affordable level. This is also because they are confident the supply from Coal India is assured. Two years before, this confidence was not there.
- ◆ During the first half of FY17 coal offtake declined about 1 per cent against the previous corresponding period on the back of adequate coal stacked at power plants and demand growing at a pace less than anticipated. In fact, in FY17, there was cut down in coal production so that the coal does not catch fire at the pit heads. Management tried to reduce inventory at pitheads. Coal stock now is down to 20 days which is earlier at 28 Days.

**CIL will offer 20 MT of coal for e-auction soon after the festive season**

Revenue from e-auction has dipped on account of adequate coal stocks and a dipping international coal price. Coal India will offer 20 million tonnes of coal for e-auction soon after the festive season. If CIL manages to sell the entire quantity, its total volumes sold through the e-auction platform would touch around 60 million tonnes against a total volume of 79 million tonnes achieved during FY16.

**Increase in e-auction volumes signifies Import substitution to pick up**

Global thermal coal prices are up ~20-30% within a few months. While the price increase was modest earlier, it has picked up significant momentum beginning July. Sharp increase in coal imports by China and its declining production is the key driver of the recent global thermal coal price increase, in our view. We believe that very soon in domestic market imports will be substituted by domestic coal.

Financials	FY13	FY14	FY15	FY16	FY17E
Sales	68303	68810	74120	78010	80023
EBITDA	18084	15963	17335	18306	13610
Net Profit	17356	15112	13727	14274	10088
EPS	27	24	22	23	16
EBIDTA %	26%	23%	23%	23%	17%
PAT %	25%	22%	19%	18%	13%

(Source: Company/Eastwind)

In Cr