

BSE SENSEX
25,490

S&P CNX
7,815

CMP: INR282 TP: INR371 (+32%)

Buy



Stock Info

Bloomberg	COAL IN
Equity Shares (m)	6,316.4
52-Week Range (INR)	447/272
1, 6, 12 Rel. Per (%)	1/-16/-17
M.Cap. (INR b)/(USD b)	1,778.1/26.7
Avg Val (INR m)	1,583
Free float (%)	20.4

Financials Snapshot (INR b)

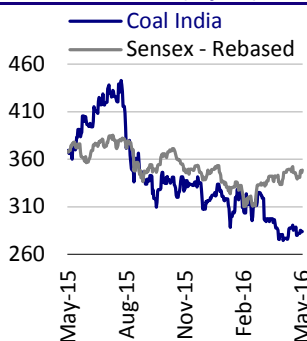
Y/E Mar	2016E	2017E	2018E
Net Sales	761.7	762.1	853.5
EBITDA	162.6	117.1	168.6
PAT	145.5	110.3	146.1
EPS (INR)	23.0	17.5	23.1
Gr. (%)	5.9	-24.2	32.5
BV/Sh (INR)	54.0	55.8	58.1
RoE (%)	42.6	31.3	39.8
RoCE (%)	61.7	49.6	62.3
P/E (x)	12.2	16.1	12.2
P/BV (x)	5.2	5.0	4.8

Shareholding pattern (%)

As On	Mar-16	Dec-15	Mar-15
Promoter	79.7	79.7	79.7
DII	8.6	8.6	8.8
FII	8.5	8.8	9.0
Others	3.2	2.9	2.5

FII Includes depository receipts

Stock Performance (1-year)



Efficiencies eroding demand; cutting estimates

Downside to coal prices limited, however; valuations attractive – Buy

- Efficiencies eroded 4% demand:** All India coal consumption grew just 1.4% in FY16, the slowest in five years due to low demand from the Power sector and decline in non-Power sector demand. Efficiency gains crowded out 4% demand growth from Power. Non-Power sector demand was impacted because metal and sponge iron production suffered from volatility in metal prices.
- Cutting FY20E volumes by 50m tons:** We remain bullish on non-Power sector demand because improved availability is triggering restart of aluminum smelters. We have reworked our demand and supply model and reduced Coal India's FY20E volumes by 50m tons.
- Aggressive production target creating oversupply:** Oversupply is putting pressure on prices of coal in E-auction, which is evident from declining ratio of allocated to offered quantities. We are cutting average E-auction realization by INR561 to INR1,445/ton for FY17 and by INR400 to INR1,450/ton for FY18-20.
- We now assume delayed price hike; cut quantum of hike from 8-10% to 4%:** We had factored 8-10% price hike on ACQ (annual contracted quantity) coal in FY17, which now appears to be postponed. We are pushing back ACQ price hike to FY18 and also reducing the quantum of hike to ~4%.
- Cutting FY17E EBITDA by 27% to INR182b:** Reduction in volumes and prices is resulting in a cut of INR117b in revenue estimate for FY17 to INR762b. Some cost pressures would be lower than our estimates, cushioning the impact on margins. Overall, we are reducing cost of mining (ex-OBR) by INR51b on factoring lower wage hike of 5% (v/s 20%). But that will not be enough to offset the impact on revenue. We are cutting adjusted EBITDA by 27% to INR182b for FY17 and by 23% to INR238b for FY18. Consolidated EPS is revised down by 29% to INR17.5 for FY17 and by 24% to INR23.1 for FY18.
- Land acquisition and evacuation issues addressed:** Coal India has demonstrated that it is able to achieve strong volume growth and has addressed issues related to land acquisition and evacuation bottlenecks.
- Downside to coal prices limited:** Though Power sector is the largest consumer, the value of stock has very high leverage to market prices of coal. We believe that downside to international coal prices is limited because current market prices are hurting production in major exporting countries.
- Valuations attractive for a growing mining company:** The stock is trading at an EV of 7.6x FY17E EBITDA and 5.8x FY18E EBITDA. Valuations are attractive for a growing mining company, despite challenging market conditions. We value Coal India at INR371/share based on EV/EBITDA of 7.5x FY18E. This is very close to our revised DCF value of INR375/share. Maintain **Buy**.

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Investors are advised to refer through important disclosures made at the last page of the Research Report.

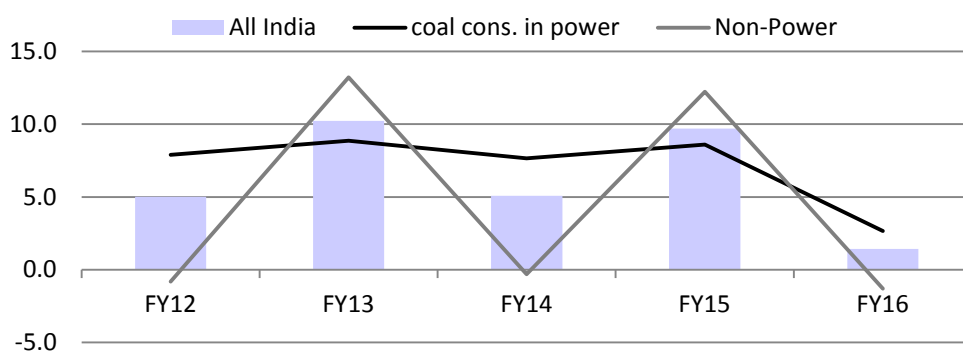
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Coal demand growth disappointing

Reworking D-S model; lowering Coal India’s FY20E volumes by 50m tons

- All India coal consumption grew just 1.4% in FY16, the slowest in five years due to low demand from the Power sector and decline in non-Power sector demand. Efficiency gains crowded out 4% demand growth from Power. Non-Power sector demand was impacted because metal and sponge iron production suffered from volatility in metal prices.
- We remain bullish on non-Power sector demand because improved availability is triggering restart of aluminum smelters. We have reworked our demand and supply model and reduced Coal India’s FY20E volumes by 50m tons.

Exhibit 1: Coal consumption growth (%)

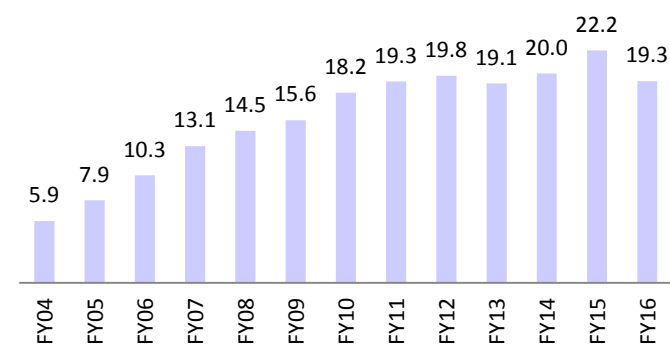


Source: MOSL, CEA

Non-power demand impacted, as end consumer production suffers

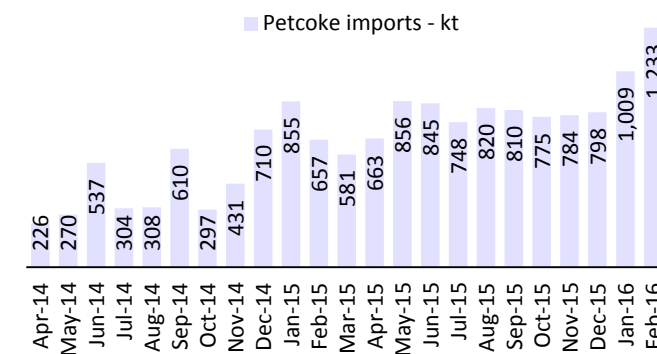
- Demand from non-Power sector disappointed, as commodity price volatility impacted domestic production of metals and sponge iron. Surge in imports of pet coke, steel scrap, and steel products displaced domestic metal production, and thus, non-Power coal demand, which declined 1.3% in FY16.

Exhibit 2: Sponge iron production declined 13% in FY16



Source: JPC

Exhibit 3: Pet coke imports surged



Source: ICMW

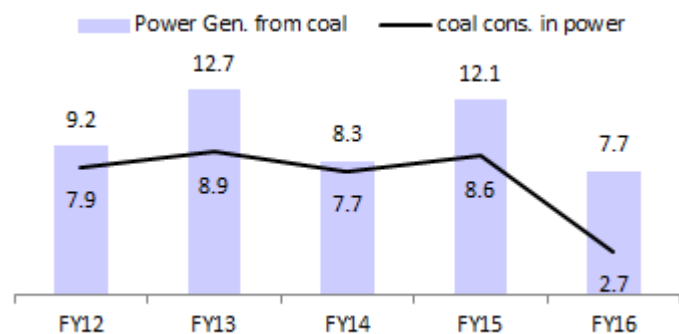
Power: Efficiency gains surprise; crowd out 4% demand growth

- Overall power generation growth was modest at 5.6% in FY16. Coal-based generation grew faster at 7.7%, yet slowest in five years. Coal consumption by the Power sector grew just 2.7%, driven by reduction in specific consumption. A material improvement in efficiencies crowded out 4% growth in coal demand

from the Power sector, which took us by surprise. We were expecting that substitution of high GCV imports by low GCV domestic coal would increase specific consumption, which would be offset by improving station heat rate of power plants on rising share of higher/super-critical capacity units.

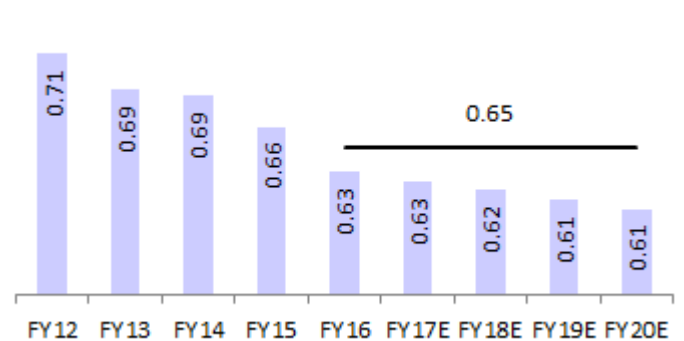
- The share of imports in power plants' consumption basket did decline by 240bp to 14.8% in FY16, as absolute imports by power plants came down by 10.6m tons to 80.7m tons. Imports by coastal plants increased by 1.2m tons to 43.5m tons, while there was import substitution of 11.7m tons by other plants.

Exhibit 4: Growth (%) – slowest in five years



Source: CEA

Exhibit 5: Specific consumption (kg/kwh) < estimate of 0.65x



Source: CEA, MOSL

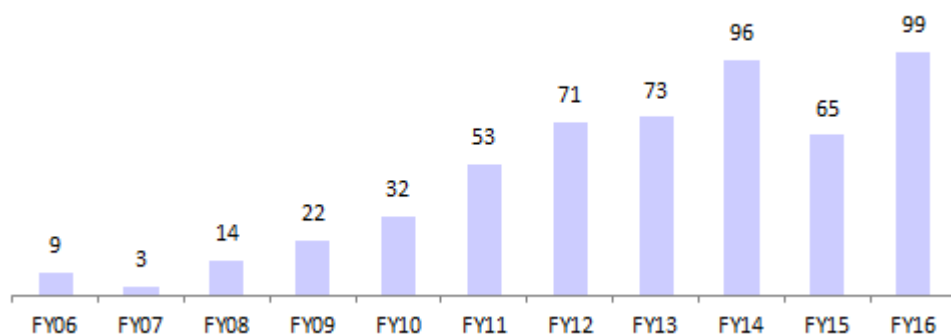
- A closer analysis of coal-based power generation reveals that 98% of growth in FY16 was from private sector. State sector generation is declining. Private sector plants are displacing less efficient state sector plants in merit order dispatch. Efficiency gains are being driven by use of coal in more efficient plants.

Exhibit 6: Coal-based power generation growth (b kwh)

	FY06	FY07	FY08	FY09	FY10	FY11	FY12	FY13	FY14	FY15	FY16
Central	14	12	15	6	12	8	10	24	14	10	7
State	-3	13	9	16	6	10	-2	-1	-12	21	-7
Private	1	1	4	6	8	20	20	61	52	58	59

Source: MOSL, CEA

Exhibit 7: Private sector is key driver of coal-based generation growth (%)



Source: MOSL

Cutting coal demand estimate for FY20 by 47m tons to 1,009m tons

- Recently, the Ministry of Power (MoP) issued new guidelines that will allow more flexibility in use of coal in more efficient plants. In other words, inefficient plants will not be allowed to run at the cost of efficient plants for the privilege of coal linkage. Therefore, we believe that the trend in efficiency improvement will continue. We are now building 1% reduction in specific consumption every year for the next five years. As a result, the estimated demand of coal from Power sector will be 701m tons in FY20 (46m tons lower than our earlier estimate).

Exhibit 8: Power sector coal consumption model

	FY11	FY12	FY13	FY14	FY15	FY16	FY17E	FY18E	FY19E	FY20E
GDP growth (%)	8.9%	6.7%	5.6%	6.6%	7.2%	7.6%	7.5%	8.0%	8.0%	8.0%
Power generation (b kwh)	811	877	912	967	1,049	1,107	1,174	1,250	1,338	1,431
YoY (%)	5.9%	8.1%	4.0%	6.0%	8.4%	5.6%	6.0%	6.5%	7.0%	7.0%
elasticity with GDP	0.7	1.2	0.7	0.9	1.2	0.7	0.8	0.8	0.9	0.9
Coal based gen. (b kwh)	535	585	659	714	800	862	922	990	1,069	1,153
YoY (%)	4.0%	9.2%	12.7%	8.3%	12.1%	7.7%	6.9%	7.5%	8.0%	7.9%
kg/kwh	0.723	0.714	0.690	0.686	0.664	0.633	0.627	0.621	0.614	0.608
imports in supply (%)	7.8	10.8	13.8	16.2	17.2	14.8	12.5	11.7	11.0	10.3
Consumption (mt)	387	418	455	489	531	546	578	615	657	701
YoY (%)	5.4	7.9	8.9	7.7	8.6	2.7	5.9	6.4	6.9	6.8

Note: we are assuming that 90% of growth in electricity generation will be met by coal plants

Source: MOSL

- Non-Power coal demand is likely to increase by 68m tons to 307m tons over FY16-20E. Captive power plants would be the biggest demand drivers. As domestic aluminum smelting capacity of 4.2m tons increases its utilization from 58% in FY16 to 100% in FY20, coal demand would increase by 21m tons. Steel plants would need another 20m tons of coal to sustain growth in steel production. Sponge iron producers would need ~4m tons of coal, assuming that the industry remains under pressure. Overall, we believe that non-Power demand would increase by 68m tons to 307m tons by FY20, only 2m tons lower than our earlier estimate.

Exhibit 9: Non-Power sector coal consumption (m tons)

	FY15	FY16	FY17E	FY18E	FY19E	FY20E
Sponge iron coal based	33	29	30	30	32	33
Production (mt)	22	19	20	20	21	22
Specific ratio (x)	1.5	1.5	1.5	1.5	1.5	1.5
CPP (Al., steel, cement, ferro-alloys etc)	131	131	140	152	164	177
Power Generation (b kwh)	131	131	140	152	164	177
Specific ratio (mt /bkwh)	1.0	1.0	1.0	1.0	1.0	1.0
Cement	27	29	31	34	36	39
Production (mt)	270	291	312	337	364	393
Specific ratio (x)	0.1	0.1	0.1	0.1	0.1	0.1
Coal gasificatoin	16	17	18	18	19	21
JSP Angul (mt)	6	6	6	6	6	6
others	10	11	12	12	13	15
Less: Petcoke	-11	-16	-16	-16	-16	-16
Domestic supply	-5	-5	-5	-5	-6	-6
Imports	-6	-11	-11	-11	-11	-11
balancing	46	49	49	50	52	54
Total	242	239	252	268	287	307

Source: MOSL

- All India coal demand (excluding coking coal) is now expected to be 47m tons lower than our estimate of 1,009m tons in FY20.

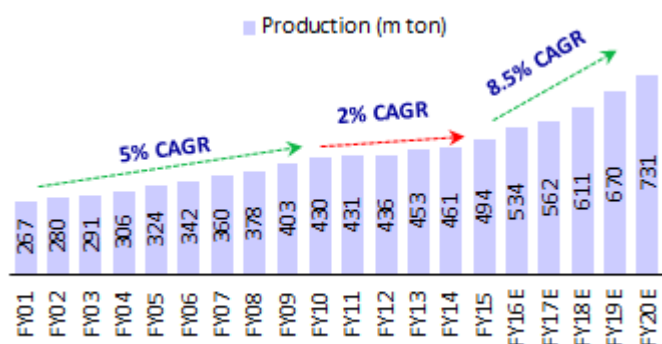
Exhibit 10: Indian coal supply (m tons) model

	FY11	FY12	FY13	FY14	FY15	FY16	FY17E	FY18E	FY19E	FY20E	2016-20
Production+imports	582	611	667	702	795	802	831	886	948	1,013	211
Coal India	431	436	453	461	494	534	562	611	670	731	197
SCCL	51	52	53	50	53	60	62	66	71	76	16
Captive mines	50	52	50	54	62	43	57	67	72	77	34
Imports	49	71	110	136	186	164	149	141	134	128	-36
Dispatches	573	607	677	710	784	800	831	886	948	1,013	212
Power	380	416	461	495	542	562	578	617	660	704	143
Non-power	193	191	216	216	242	239	253	269	288	308	69
Coal India	423	433	464	472	489	531	562	611	670	731	200
Power	304	312	346	354	385	409	424	449	481	516	107
Non-power	119	120	118	118	104	122	138	162	189	215	93
SCCL	50	51	53	48	53	59	62	66	71	76	17
Power	33	37	38	34	39	47	52	56	61	67	19
Non-power	17	15	15	14	13	11	11	10	10	9	-2
Captive mines	50	52	50	54	63	44	57	67	72	77	33
Power	13	22	15	27	27	24	30	40	45	50	26
Non-power	37	30	35	27	36	20	27	27	27	27	8
Ports	49	71	110	136	179	166	149	141	134	128	-38
Power	30	45	63	79	91	81	72	72	72	72	-9
Non-power	19	26	48	57	88	86	77	69	62	56	-29
Inventories at user end	2	0	7	12	23	39	40	43	47	51	12
Power	2	0	7	12	23	39	39	41	44	47	8
Non-power							1	1	2	3	3
Inventory increase/(decrease)	-7	-2	7	5	11	16	1	3	4	4	
Power	-7	-2	7	5	11	16	0	2	3	3	
Non-power							1	1	1	1	
Consumption	580	609	671	705	773	784	830	883	944	1,009	224
Power	387	418	455	489	531	546	578	615	657	701	156
Non-power	193	191	216	216	242	239	252	268	287	307	68

Source: MOSL

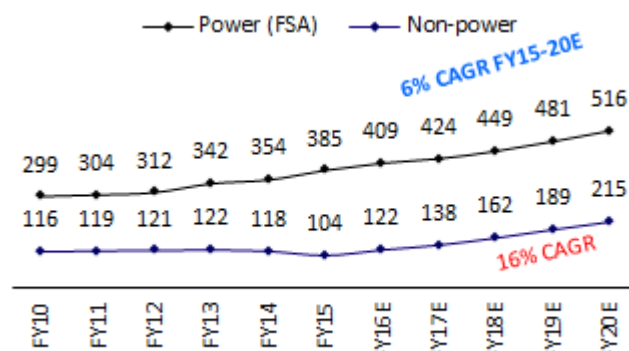
- Despite assuming substitution of 38m ton imports by FY20, we estimate that Coal India would be able to sell only 731m tons v/s our old estimate of 781m tons. We cut our FY20E volume estimate by ~50mt.

Exhibit 11: Coal production (m tons)



Source: CEA

Exhibit 12: Segment-wise dispatches (m tons)



Source: CEA, MOSL

Oversupply putting pressure on pricing

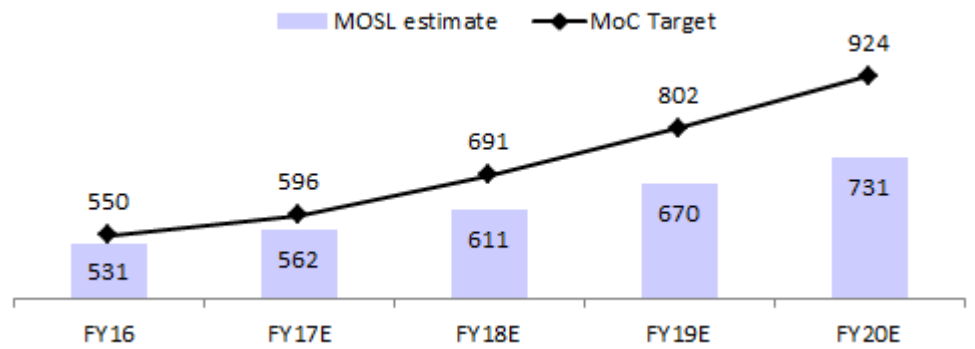
Cutting E-auction prices; pushing back price hike

- Coal India is trying to push more volumes into the market than actual demand growth. Import substitution is slower due to subdued prices in international coal market and high cost of transport within India. Oversupply is putting pressure on prices of coal in E-auction, which is evident from declining ratio of allocated to offered quantities. We are cutting average E-auction realization by INR561 to INR1,445/ton for FY17 and by INR400 to INR1,450/ton for FY18-20.
- Ministry of Coal (MoC) is soon likely to announce auctioning of non-Power linkage, as it will no longer be renewing old linkages.
- MoC has committed to re-grading of coal mines and rationalization of pricing based on GCV. However, the actual progress on these issues is slow. We had factored a price hike of 8-10% on ACQ (annual contracted quantity) coal during FY17, which now appears to be postponed. We are pushing back ACQ price hike to FY18 and also reducing the quantum of hike to ~4%.

E-auction pricing under pressure; cutting FY17 estimate by INR561/ton

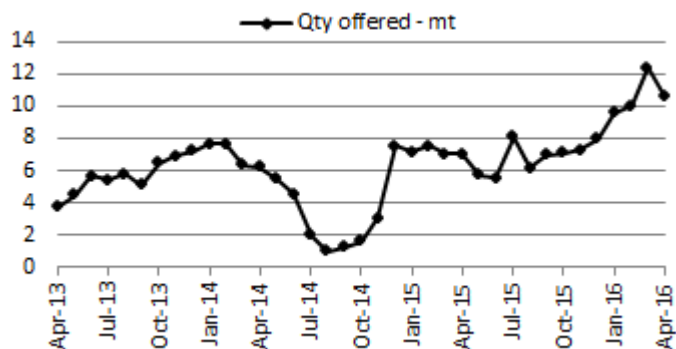
Coal India's aggressive production targets are creating huge oversupply...gap will continue to widen if targets are not rationalized

Exhibit 13: Coal supply by Coal India (m tons)



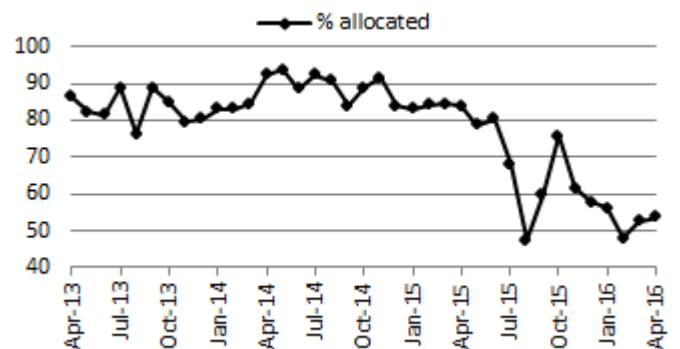
Source: MOSL, Company

Exhibit 14: E-auction supply is increasing rapidly



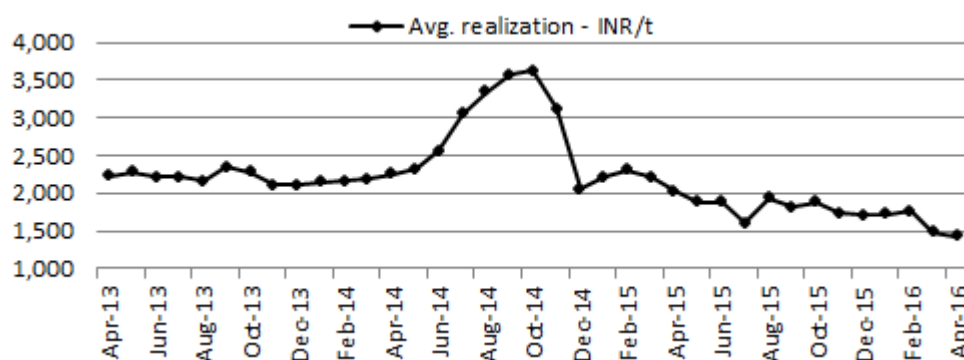
Source: MOSL, ICMW

Exhibit 15: Demand is not keeping pace



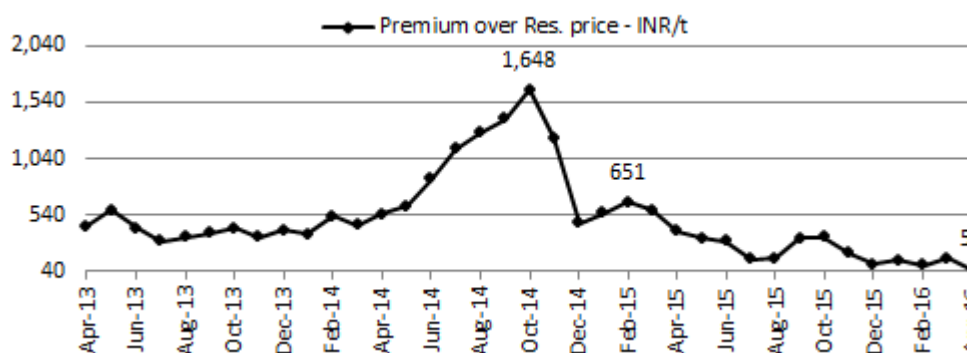
Source: MOSL, ICMW

Exhibit 16: Average realization is dropping



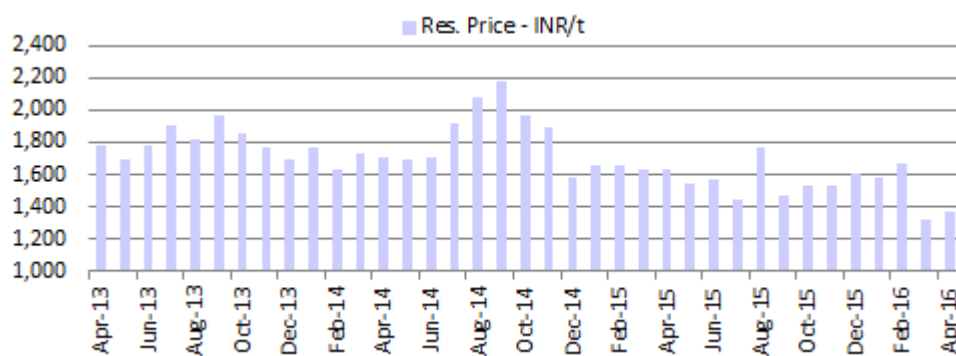
Source: MOSL, ICMW

Exhibit 17: Premiums are declining because of oversupply



Source: MOSL, ICMW

Exhibit 18: Declining reserves prices imply that average grade is also declining



Source: MOSL, ICMW

If forward E-auction for Power sector is included, the average realization is much lower at INR1,183/ton

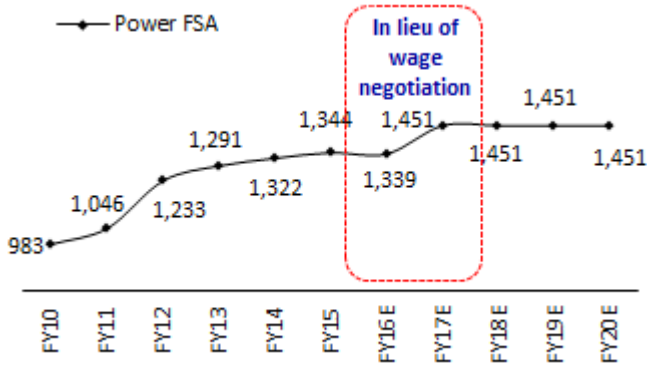
- Oversupply is putting pressure on prices of coal in E-auction, which is evident from declining ratio of allocated to offered quantities. We are cutting average E-auction realization by INR561 to INR1,445/ton for FY17 and by INR400 to INR1,450/ton for FY18-20.
- Total E-auction volumes are higher and the average realization is lower if Power sector forward E-auction window is included. In Power sector E-auction bucket, the realization was much lower at ~INR1,000/ton in April. The reported average E-auction realization is lower at ~INR1,300/ton, which includes a separate window for Power sector.

- We need to treat Power sector volumes separately, because they are crowding out Power sector ACQ volumes and fetching 10% premium at notified prices. Therefore, we are focusing on only regular E-auction for the purpose of analysis.

Pushing back ACQ price revision and cutting hike to 4%

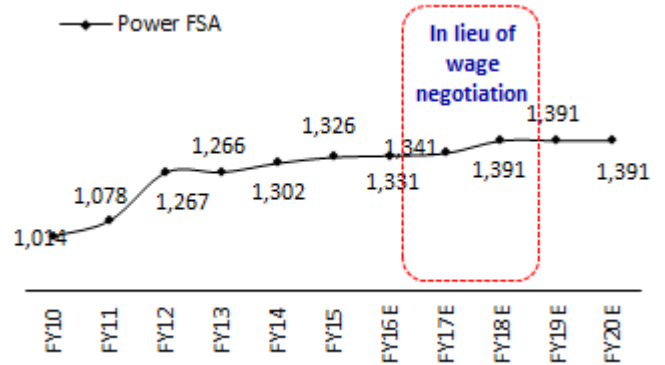
- MoC has committed to re-grading of coal mines and rationalization of pricing based on GCV. However, the actual progress on these issues is slow. We had factored a price hike of 8-10% on ACQ (annual contracted quantity) coal during FY17, which now appears to be postponed. We are pushing back ACQ price hike to FY18 and also reducing the quantum of hike to ~4%.

Exhibit 19: Power ACQ pricing (INR/ton) – old estimates



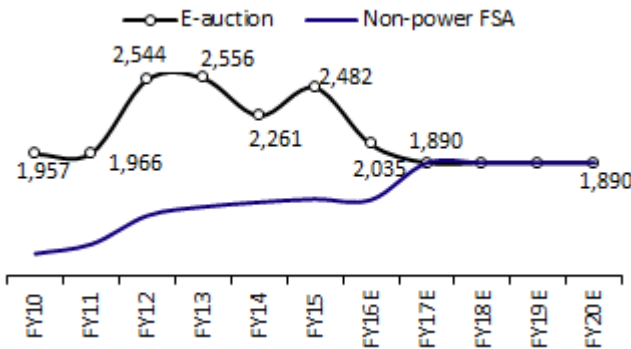
Source: MOSL

Exhibit 20: Power ACQ pricing (INR/ton) – revised estimates



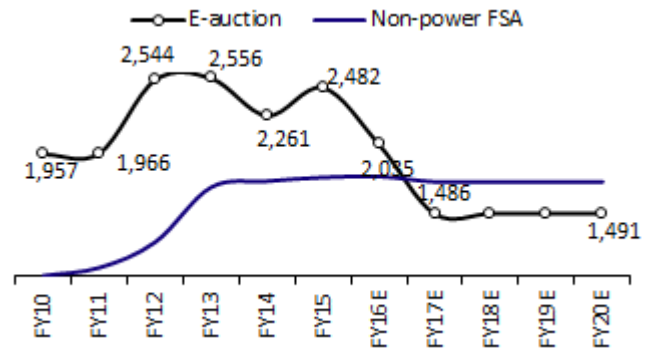
Source: MOSL

Exhibit 21: Non-Power pricing (INR/ton) – old estimates



Source: MOSL

Exhibit 22: Non-Power pricing (INR/ton) – revised estimates



Source: MOSL

Cutting FY17E adjusted EBITDA by 27%

Valuations attractive for a growing mining company; maintain Buy

Reducing certain cost estimates; yet FY17E adjusted EBITDA cut 27%

Reduction in volumes and prices is resulting in a cut of INR117b to our revenue estimate for FY17 to INR762b. Revenue would be flat in FY17, despite 5.7% volume increase. Some cost pressures would be lower than our estimates, cushioning the impact on margins.

Reducing wage hike estimates to 5%

- We had factored wage hike of 20% in FY17. As inflationary pressures have eased and many PSUs are under severe margin pressure, we understand that the provisions for wage hike will be much lower. We are cutting our wage hike estimate to 5%, which would save INR44b in cost increase during FY17.
- Contracting expenses are likely to witness lower inflation.
- We are increasing social expenses from INR3b to INR9.4b due to continued focus on various CSR initiatives.
- Under Ind-AS, some of the mining expenses will get capitalized.

No clarity on OBR accounting, but it won't affect adjusted EBITDA

It is yet not clear how Coal India will treat OBR provisioning under Ind-AS. It should not be provided for to align with practices followed by mining companies globally, in our view. We are already excluding OBR provisions from expenses in calculating adjusted EBITDA to make its financials comparable to other mining companies.

Adjusted EBITDA is cut 27%

- Overall, we are reducing cost of mining (ex-OBR) by INR51b on factoring lower wage hike of 5% (v/s 20%). But that will not be enough to offset the impact on revenue. We are cutting adjusted EBITDA by 27% to INR182b for FY17 and by 23% to INR238b for FY18.
- EBITDA per ton will decline by 19% to INR323/ton in FY17, which will be followed by increase of 21% in FY18.
- Consolidated EPS is revised down by 29% to INR17.5 for FY17 and by 24% to INR23.1 for FY18.

Valuations attractive for growing mining company; maintain Buy

Volume growth concerns allayed

- Coal India has demonstrated that it is able to achieve strong volume growth and has addressed issues related to land acquisition and evacuation bottlenecks.
- The stock (adjusted for dividend) has got de-rated and corrected by 30% from its peak of ~INR445 on concerns that it will be difficult to achieve price hike in view of (a) falling global coal prices, (b) E-auction prices, and (c) slower than expected pickup in domestic demand.

Leverage to prices has increased

- Though Power sector is the largest consumer, the value of stock has very high leverage to market prices of coal. When prices are high, Coal India is able to (a) substitute imports at a faster rate, (b) push more volumes into domestic market, and (c) benefit from operating leverage and higher prices in E-auction. This works otherwise when the prices are weak, as is the present situation.

Coal prices have limited downside

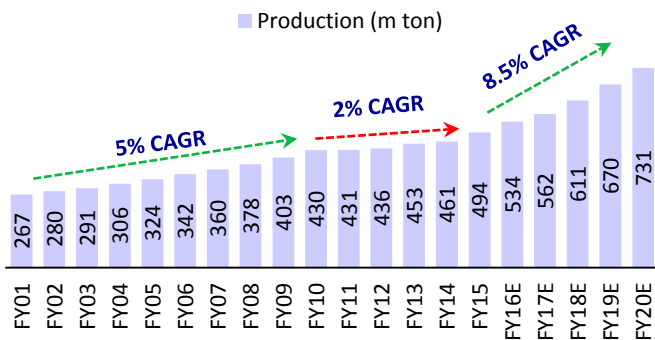
- We believe that international coal prices have limited downside because current market prices are hurting production in both Indonesia and USA, which are among the key coal exporters in the world.

Valuations are attractive

- The stock is trading at an EV of 7.6x FY17E EBITDA and 5.8x FY18E EBITDA. Valuations are attractive for a growing mining company, despite challenging market conditions.
- We value Coal India at INR371/share based on EV/EBITDA of 7.5x FY18E. This is very close to our revised DCF value of INR375/share. Maintain **Buy**.

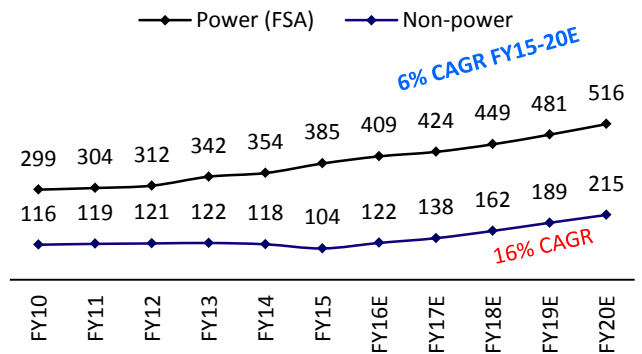
Story in charts

Exhibit 23: Production to grow by ~8% CAGR over FY15-20E



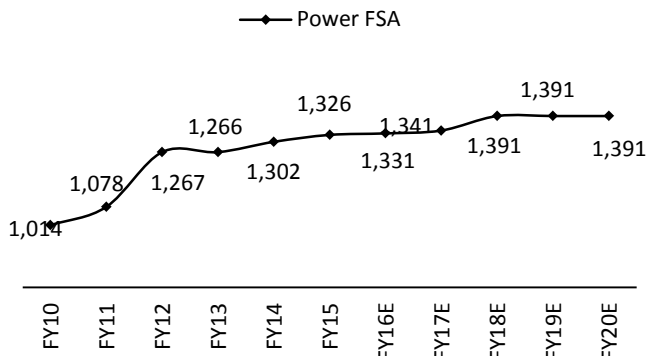
Source: MOSL, Company

Exhibit 24: Power disp. growth 6% CAGR over FY15-20E (mt)



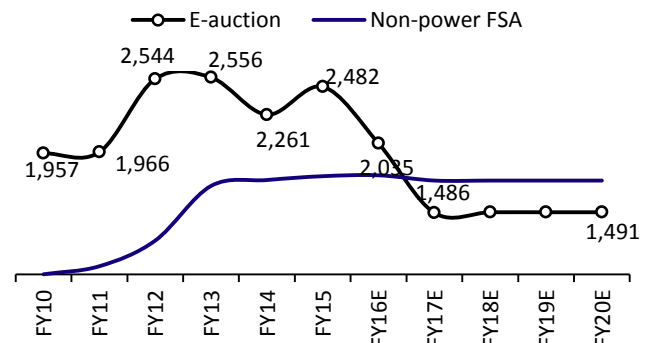
Source: MOSL, Company

Exhibit 25: FSA price realization - INR/t



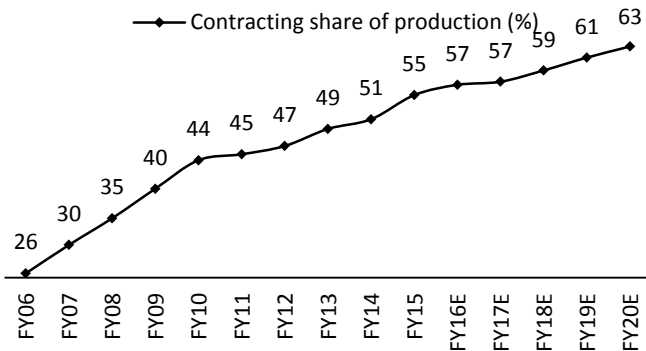
Source: MOSL, Company

Exhibit 26: Non-power price realization - INT/t



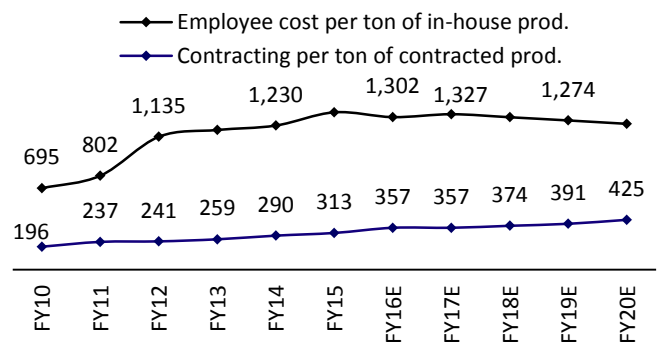
Source: MOSL, Company

Exhibit 27: Contracting % of prod. to inc. to ~63% by FY20E



Source: MOSL, Company

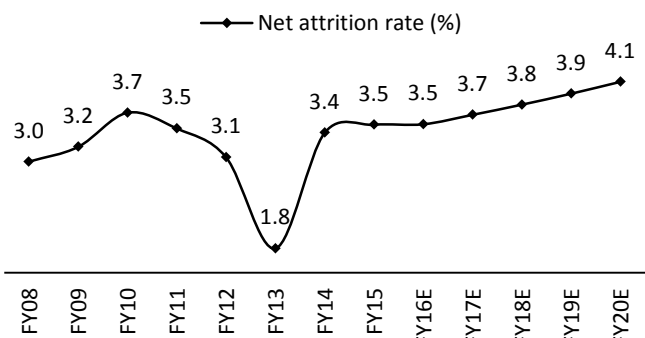
Exhibit 28: and is ~70% cheaper than in-house (INR/t)



Source: MOSL, Company

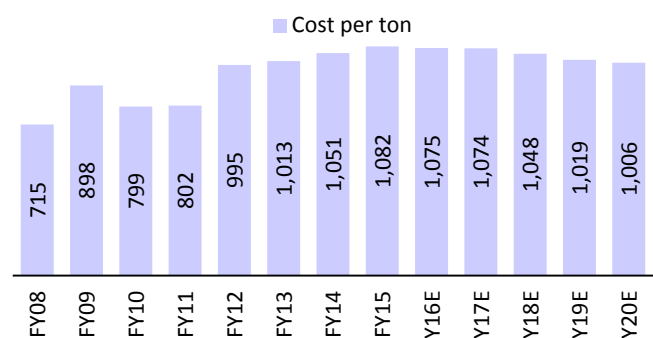
Story in charts

Exhibit 29: Net attrition rate (%)



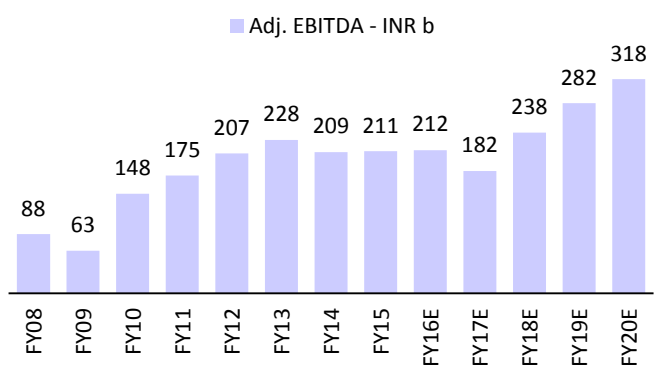
Source: MOSL, Company

Exhibit 30: Cost per ton to be flattish - INR/t



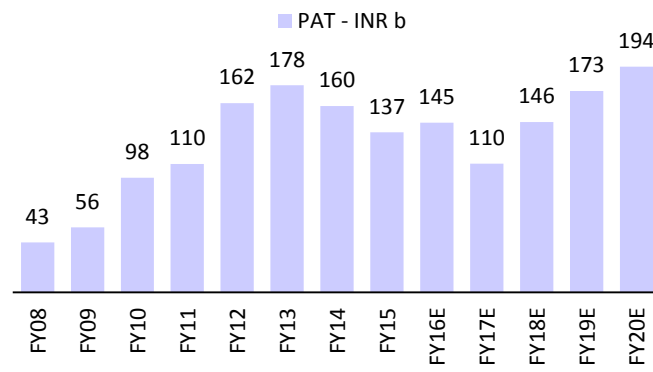
Source: MOSL, Company

Exhibit 31: Adj EBITDA



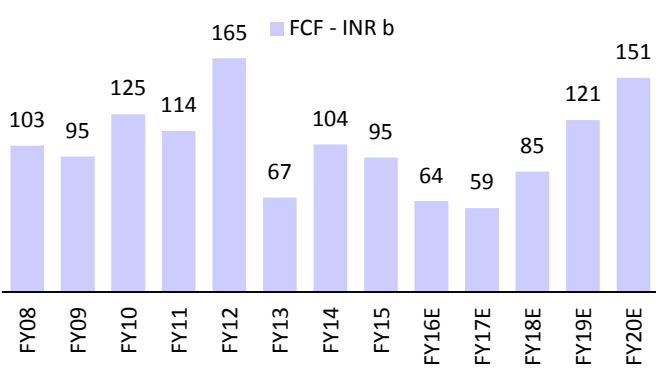
Source: MOSL, Company

Exhibit 32: PAT – INR b



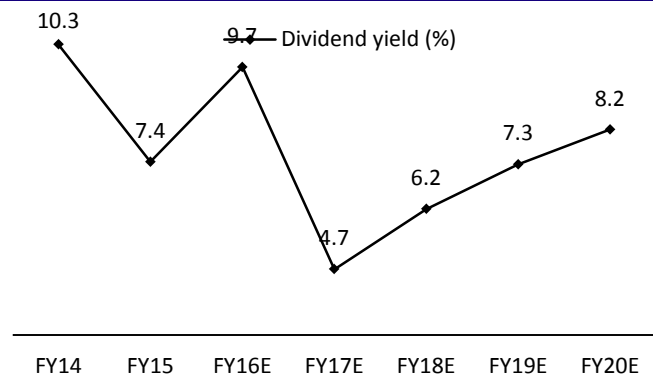
Source: MOSL, Company

Exhibit 33: Strong FCF despite higher capex



Source: MOSL, Company

Exhibit 34: Dividend yield to protect downside



Source: MOSL, Company

Financials and Valuations

Income Statement						(INR Million)		
Y/E Mar	2011	2012	2013	2014	2015	2016E	2017E	2018E
Net Sales	502,336	624,154	683,027	688,100	720,146	761,722	762,116	853,512
Change (%)	7.6	24.3	9.4	0.7	4.7	5.8	0.1	12.0
EBITDA	136,464	156,679	180,836	159,632	152,300	162,600	117,065	168,557
EBITDA Margin (%)	27.2	25.1	26.5	23.2	21.1	21.3	15.4	19.7
Depreciation	17,654	19,692	18,130	19,964	23,198	24,398	25,598	26,798
EBIT	118,810	136,986	162,707	139,668	129,102	138,202	91,467	141,759
Interest	737	540	452	580	73	69	65	61
Other Income	49,615	76,150	88,373	89,694	86,761	82,245	73,160	73,146
Extraordinary items	-2,162	911	69	14	50	0	0	0
PBT	165,525	213,508	250,697	228,795	215,839	220,378	164,563	214,844
Tax	55,959	64,845	76,227	77,679	78,573	74,907	54,289	68,729
Tax Rate (%)	33.8	30.4	30.4	34.0	36.4	34.0	33.0	32.0
Min. Int. & Assoc. Share	0	0	0	0	0	0	0	0
Reported PAT	109,566	148,664	174,470	151,116	137,266	145,472	110,273	146,116
Adjusted PAT	110,202	162,386	177,530	159,881	137,316	145,472	110,273	146,116
Change (%)	12.1	47.4	9.3	-9.9	-14.1	5.9	-24.2	32.5

Balance Sheet						(INR Million)		
Y/E Mar	2011	2012	2013	2014	2015	2016E	2017E	2018E
Share Capital	63,164	63,164	63,164	63,164	63,164	63,164	63,164	63,164
Reserves	269,978	341,366	421,556	360,881	340,367	278,157	289,184	303,796
Net Worth	333,142	404,530	484,720	424,045	403,531	341,321	352,348	366,959
Debt	13,664	13,054	10,778	1,715	4,019	4,019	4,019	4,019
Deferred Tax	-11,941	-11,941	-22,550	-19,717	-19,591	-19,591	-19,591	-19,591
Total Capital Employed	335,191	406,179	473,584	406,678	388,617	326,407	337,434	352,046
Gross Fixed Assets	376,253	380,964	390,107	414,795	448,080	508,080	568,080	628,080
Less: Acc Depreciation	238,708	246,561	255,449	266,951	286,929	311,327	336,925	363,723
Net Fixed Assets	137,546	134,403	134,658	147,844	161,150	196,752	231,154	264,356
Capital WIP	11,459	29,034	34,960	43,158	51,594	71,594	91,594	111,594
Investments	10,637	19,814	23,950	37,749	28,134	28,134	28,134	28,134
Current Assets	668,364	874,731	999,590	793,955	844,940	755,541	753,611	761,012
Inventory	55,856	60,713	56,178	55,681	61,838	62,607	62,640	70,152
Debtors	34,189	56,630	104,802	82,410	85,219	89,737	89,784	100,551
Cash & Bank	458,064	582,028	622,360	523,895	530,925	436,239	434,231	423,352
Loans & Adv, Others	120,254	175,360	216,249	131,969	166,958	166,958	166,958	166,958
Curr Liabs & Provns	492,815	651,803	719,573	616,028	697,201	725,615	767,060	813,051
Curr. Liabilities	492,815	651,803	719,573	616,028	697,201	725,615	767,060	813,051
Provisions	0	0	0	0	0	0	0	0
Net Current Assets	175,549	222,928	280,017	177,927	147,739	29,927	-13,448	-52,039
Total Assets	335,191	406,179	473,584	406,678	388,617	326,407	337,434	352,046

E: MOSL Estimates

Financials and Valuations

Ratios

Y/E Mar	2011	2012	2013	2014	2015	2016E	2017E	2018E
Basic (INR)								
EPS	17.4	25.7	28.1	25.3	21.7	23.0	17.5	23.1
Cash EPS	24.4	34.7	36.0	33.7	31.5	31.3	28.1	34.5
Book Value	52.7	64.0	76.7	67.1	63.9	54.0	55.8	58.1
DPS	3.9	10.0	14.0	29.0	20.7	27.4	13.1	17.3
Payout (incl. Div. Tax.)	30.5	46.2	57.3	132.2	112.9	142.8	90.0	90.0
Valuation(x)								
P/E	16.1	10.9	10.0	11.1	12.9	12.2	16.1	12.2
Cash P/E	11.5	8.1	7.8	8.4	8.9	9.0	10.0	8.2
Price / Book Value	5.3	4.4	3.7	4.2	4.4	5.2	5.0	4.8
EV/EBITDA	7.6	5.8	5.1	6.0	5.9	6.3	7.4	5.7
Dividend Yield (%)	1.4	3.6	5.0	10.3	7.4	9.7	4.7	6.2
EV /ton of Reserves	61.3	55.6	53.6	57.8	57.5	61.9	62.0	62.5
Profitability Ratios (%)								
RoE	32.9	36.7	36.0	35.6	34.0	42.6	31.3	39.8
RoCE	55.1	57.7	57.1	52.1	54.3	61.7	49.6	62.3
Turnover Ratios (%)								
Asset Turnover (x)	1.5	1.5	1.4	1.7	1.9	2.3	2.3	2.4
Debtors (No. of Days)	25	33	56	44	43	43	43	43
Inventory (No. of Days)	41	36	30	30	31	30	30	30
Creditors (No. of Days)	5	5	4	4	5	5	5	5
Leverage Ratios (%)								
Net Debt/Equity (x)	-1.3	-1.4	-1.3	-1.2	-1.3	-1.3	-1.2	-1.1

Cash Flow Statement

(INR Million)

Y/E Mar	2011	2012	2013	2014	2015	2016E	2017E	2018E
Adjusted EBITDA	136,464	156,679	180,836	159,632	152,300	162,600	117,065	168,557
Non cash opr. exp (inc)	44,553	73,597	65,165	71,437	80,749	61,156	76,429	82,162
(Inc)/Dec in Wkg. Cap.	4,662	35,647	-68,387	2,442	6,487	-4,895	-74	-17,127
Tax Paid	-55,959	-67,044	-86,520	-88,264	-95,721	-74,907	-54,289	-68,729
Other operating activities	0	0	0	0	0	0	0	0
CF from Op. Activity	129,720	198,879	91,094	145,247	143,815	143,954	139,131	164,863
(Inc)/Dec in FA & CWIP	-16,153	-34,094	-24,540	-41,164	-49,014	-80,000	-80,000	-80,000
Free cash flows	113,567	164,784	66,554	104,083	94,801	63,954	59,131	84,863
(Pur)/Sale of Invt	2,183	-9,177	-4,136	-13,799	9,615	0	0	0
Others	0	42,177	56,433	64,754	52,871	49,111	38,171	35,824
CF from Inv. Activity	-13,970	-1,094	27,758	9,791	13,472	-30,889	-41,829	-44,176
Inc/(Dec) in Net Worth	-766	0	0	0	0	0	0	0
Inc / (Dec) in Debt	-5,967	-2,474	-2,287	-12,634	1,935	0	0	0
Interest Paid	0	-540	-452	-580	-73	-69	-65	-61
Divd Paid (incl Tax) & Others	-41,730	-70,808	-75,781	-240,289	-152,119	-207,682	-99,246	-131,504
CF from Fin. Activity	-48,463	-73,821	-78,520	-253,503	-150,257	-207,751	-99,311	-131,565
Inc/(Dec) in Cash	67,287	123,963	40,332	-98,465	7,030	-94,686	-2,009	-10,878
Add: Opening Balance	390,778	458,064	582,028	622,360	523,895	530,925	436,239	434,231
Closing Balance	458,064	582,028	622,360	523,895	530,925	436,239	434,231	423,352

E: MOSL Estimates

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