

# Coal India

**BSE SENSEX**

44,618

**S&P CNX**

13,114


**Stock Info**

Bloomberg	COAL IN
Equity Shares (m)	6,207
M.Cap.(INRb)/(USDb)	799 / 10.6
52-Week Range (INR)	215 / 110
1, 6, 12 Rel. Per (%)	0/-41/-46
12M Avg Val (INR M)	1813
Free float (%)	33.9

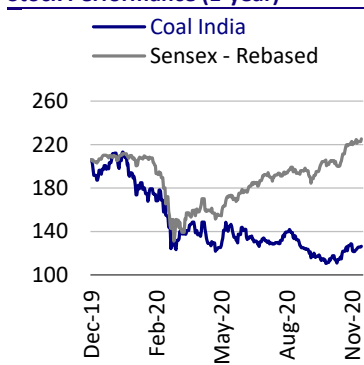
**Financials Snapshot (INR b)**

Y/E Mar	2020	2021E	2022E
Net Sales	960.8	906.9	1,041.4
EBITDA	219.2	152.8	223.0
PAT	167.0	110.2	157.3
EPS (INR)	22.8	16.9	21.4
Gr. (%)	27.1	17.9	25.5
BV/Sh (INR)	-4.4	-34.0	42.7
RoE (%)	51.9	30.6	35.5
RoCE (%)	56.4	30.3	36.9
P/E (x)	4.8	7.3	5.1
EV/EBITDA (x)	2.3	3.3	1.7

**Shareholding pattern (%)**

As On	Sep-20	Jun-20	Sep-19
Promoter	66.1	66.1	69.3
DII	22.0	22.3	19.2
FII	7.2	7.9	8.7
Others	4.7	3.7	2.8

FII Includes depository receipts

**Stock Performance (1-year)**

**CMP: INR130**
**TP: INR193 (+49%)**
**Buy**
**Volumes rise as power demand recovers**
**Valuations attractive; dividend yield of ~9%**
**Dispatches rise 8% YoY in November; YTD FY21 down just ~2% YoY**

- Coal India (COAL)'s dispatches reported an 8% YoY increase at 51.3mt for November. This marked the fourth straight month of YoY growth – highlighted by continued recovery in power demand. *As per initial data from POSOCO, India's power demand / coal-based generation has risen 3.5%/5.2% YoY.*
- YTD FY21, Coal India's off-take is now down just ~2% YoY (1H FY21: -8% YoY). With continued recovery in power demand, we conservatively raise our FY21 off-take estimates to 580mt (flat YoY) v/s 565mt earlier (-3% YoY). Our estimates imply ~2% YoY off-take growth for the remainder of FY21.

**Worst likely behind as demand continues to recover**

- A large proportion of Coal India's costs are fixed in nature, with employee costs accounting for ~55% of the company's expenses. Furthermore, the company has focused on OBR (overburden removal) activities, thereby utilizing contractual employees as well (~20% of company expenses). Thus, with lower dispatches, sharp negative operating leverage has kicked in (1H FY21 volume: -8% YoY; EBITDA (ex-OBR): -47% YoY).
- India's power demand, though, has been on an improving trend (see Exhibits 2, 3) and bodes well for COAL, given the high operating leverage play. India's COVID-19-led lockdown came at a time when inventory at both of COAL's mines and power plants was at already high levels. The situation has also eased with decline in inventory at both the mine and power plant levels (see Exhibits 4, 5) – albeit it remains higher than usual.
- Furthermore, global thermal coal prices have also been inching up (Exhibit 7), which – combined with a subsequent increase in domestic demand – is encouraging for e-auction realizations. We build in e-auction realizations of INR1,540/t for FY21 v/s (FY20: INR2,177 / FY19: INR2,632). Expect the same to rise to INR1,700/t in FY22.

**Valuations attractive as market cap implies just nine years of FCF**

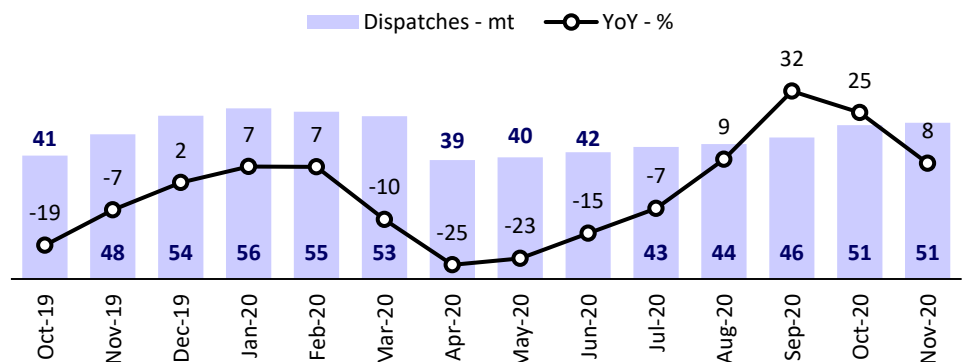
- We raise our FY21E adj. EBITDA/PAT by 9%/11% given the higher off-take. With the normalization of power demand, we expect COAL's off-take and profitability to recover in FY22. At 1.7x FY22E EV/EBITDA and 5.0x FY22 P/E, along with dividend yield of ~9%, Coal India remains attractively valued and implies PV of just nine years of its future cash flows.
- Over the previous two years, market cap for coal mining cos. has plummeted, led by issues over the sustainability of coal, in our view. While the share of coal in power generation has declined across regions, India remains a different case in point given 1) increasing power demand and 2) the lack of other substantial conventional sources for displacement. We maintain Buy on COAL, with Target Price of INR193/sh based on 4x Sep'21 EV/EBITDA.

### Coal India's volumes recover as power demand grows

- Off-take at Coal India's mines saw another month of YoY growth, with continued recovery in power demand. Off-take at the mines grew 8% YoY, with overall power demand / coal-based generation estimated to have risen 3.5%/5.2% YoY.
- This would also be the third straight month of growth in power demand (albeit off a low base); this bodes well for Coal India, given the large operating leverage. In the past 6–8 months, COAL has also focused on OBR activity, owing to which it is well-positioned to increase production and meet any spurt in power demand.
- With improving off-take and recovery in power demand, inventory at both the mine and power plant levels has also been declining – albeit it remains higher than usual. Furthermore, global thermal coal prices have been inching up, which – along with an increase in domestic demand – bodes well for e-auction realizations.
- We expect Coal India's off-take to continue its recovery as power demand recovers. Expect volumes for Coal India to be flat on a YoY basis in FY21, implying 2% YoY growth for the remainder of the year. We build in a 15% YoY increase in coal volumes for FY22 with the normalization of power demand.

Coal India's volumes increased 8% YoY in Nov – its fourth straight month of YoY growth

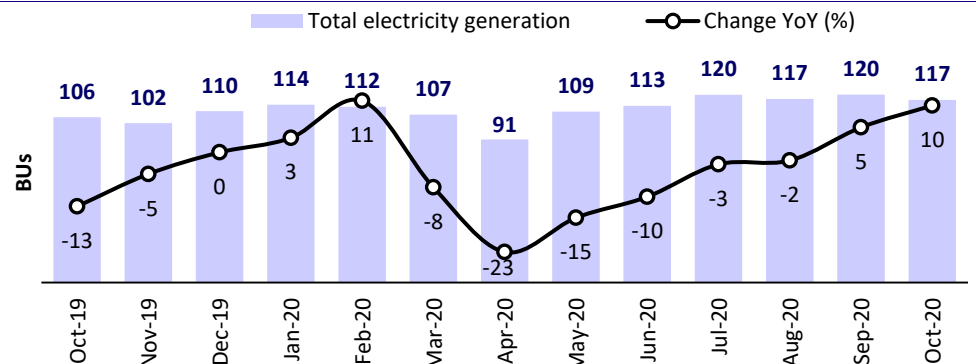
**Exhibit 1: Coal off-take for Coal India**



Source: Company, MOFSL

India's electricity generation has recovered; while we await the final data, initial data from POSOCO suggests a 3.5% YoY rise for Nov

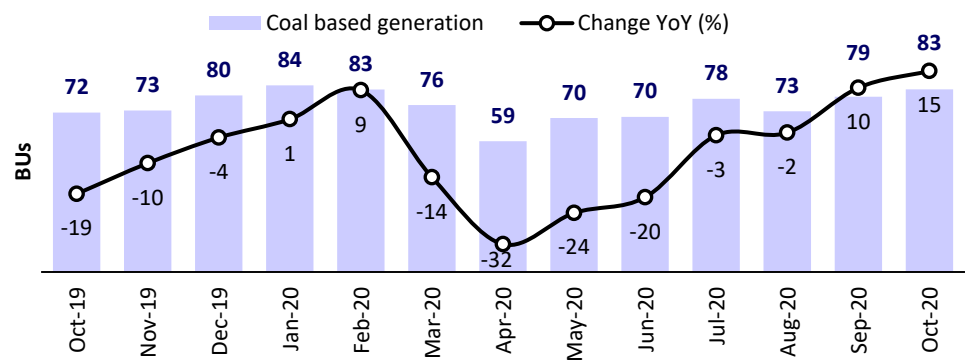
**Exhibit 2: India's electricity generation**



Source: CEA, MOFSL

Accordingly, coal-based generation has also picked up

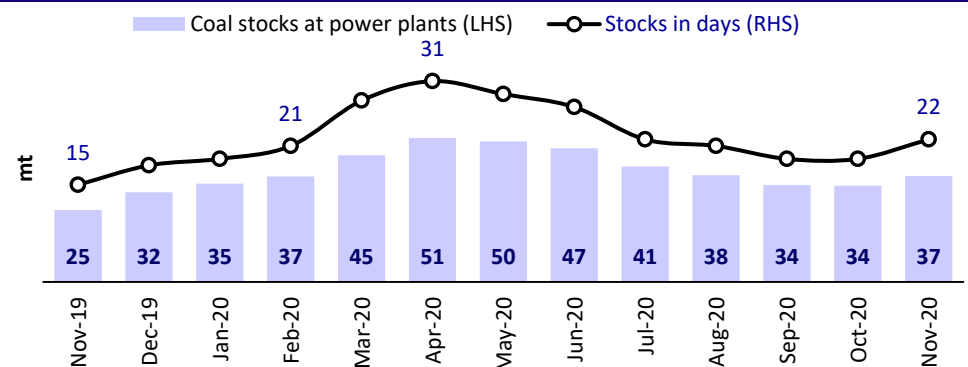
**Exhibit 3: India's coal-based generation**



Source: CEA, MOFSL

With the uptick in demand, coal stocks at power plants have begun to deplete...

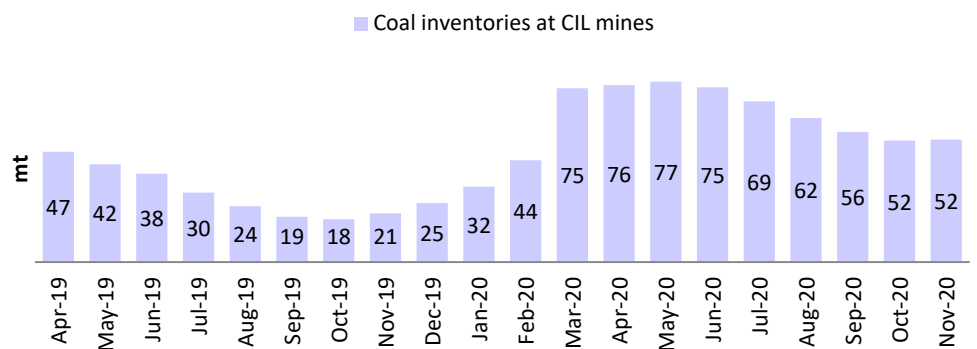
**Exhibit 4: Coal stocks at power plants**



Source: CEA, MOFSL

...As has inventory at Coal India's mines – albeit it remains high v/s usual levels

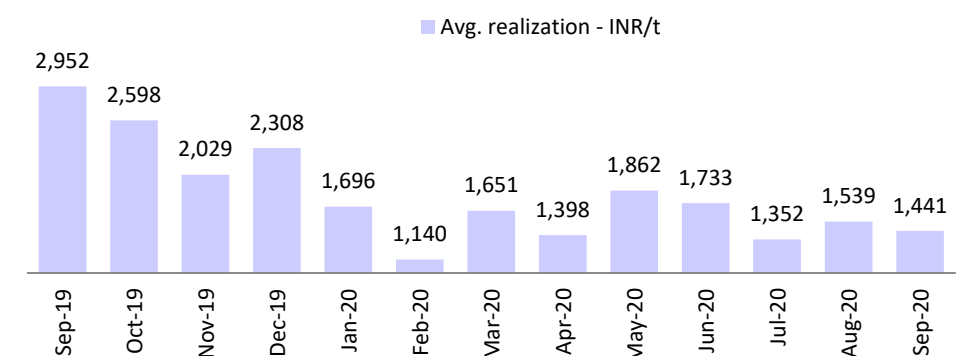
**Exhibit 5: Coal stocks at Coal India's mines**



Source: Company, MOFSL

E-auction realizations declined amid lower power demand

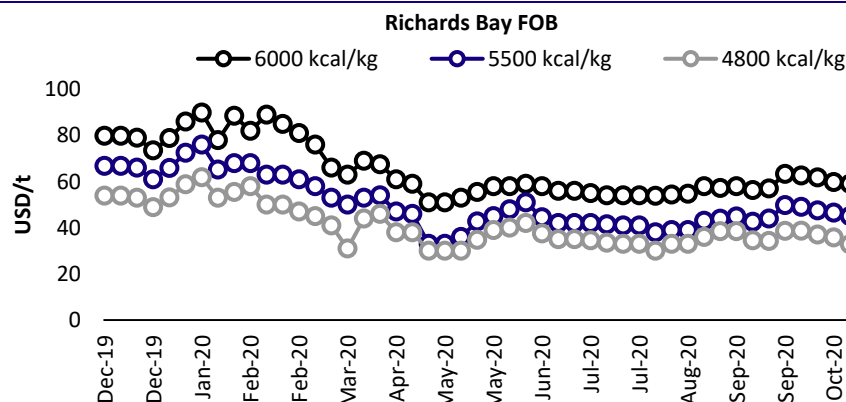
**Exhibit 6: E-auction realizations (INR/t)**



Source: Industry, MOFSL

Global thermal coal prices, though, have started inching up

**Exhibit 7: Thermal coal prices**



Source: Steelmint, MOFSL

We expect dispatches for Coal India to remain flat YoY in FY21; expect 15% YoY growth in FY22 as demand normalizes

**Exhibit 8: Expect Coal India's volumes to recover as power demand normalizes**

	FY16	FY17	FY18	FY19	FY20	FY21E	FY22E	FY23E
Power Generation	1,169	1,236	1,303	1,372	1,378	1,379	1,577	1,680
YoY (%)	4.5%	5.8%	5.4%	5.2%	0.5%	0.1%	14.3%	6.5%
Coal based gen. (b kwh)	862	910	953	989	962	940	1,102	1,166
YoY (%)	7.8%	5.6%	4.7%	3.7%	-2.7%	-2.3%	17.2%	5.9%
<b>Coal India Volumes (mt)</b>	<b>531</b>	<b>543</b>	<b>580</b>	<b>608</b>	<b>582</b>	<b>580</b>	<b>665</b>	<b>698</b>
Growth YoY	8.6%	2.2%	6.8%	4.9%	-4.3%	-0.2%	14.7%	5.0%

Source: Ministry of Power, MOFSL

**Exhibit 9: Coal India: Adjusted P&L**

	FY19	FY20	FY21E	FY22E	FY23E
<b>Revenue</b>	<b>995,469</b>	<b>960,803</b>	<b>906,903</b>	<b>1,041,403</b>	<b>1,090,235</b>
Power FSA	640,826	624,312	616,388	749,137	783,796
Non Power FSA	124,788	142,822	117,743	158,175	158,160
E-auction/MoU	229,856	193,669	172,772	134,090	148,279
Sales (mt)	608	581	580	665	698
YoY (%)	4.9	-4.5	-0.2	14.7	5.0
Power FSA	458	426	422	515	540
Share (%)	75	73	73	77	77
Non Power FSA	67	75	65	85	85
E-auction/MoU	83	80	93	65	73
Revenue per ton	1,637	1,653	1,564	1,566	1,561
YoY (%)	10.6	1.0	-5.4	0.2	-0.3
Power FSA	1,399	1,465	1,461	1,456	1,451
Non Power FSA	1,851	1,904	1,811	1,861	1,861
E-auction/MoU	2,777	2,418	1,853	2,049	2,032
<b>Cost of Mining (ex. OB)</b>	<b>694,986</b>	<b>686,176</b>	<b>718,219</b>	<b>756,439</b>	<b>767,004</b>
CoP per ton	1,143	1,181	1,238	1,138	1,098
YoY (%)	1.1	3.3	4.9	-8.1	-3.4
Labor & social OH	644	688	680	616	602
Contract	220	239	288	235	244
R&M	144	146	152	144	150
Others	134	108	120	142	102
<b>Adjusted EBITDA</b>	<b>300,483</b>	<b>274,627</b>	<b>188,684</b>	<b>284,964</b>	<b>323,231</b>
EBITDA per ton	494	473	325	429	463

Source: Company, MOFSL

**Exhibit 10: Coal India: Valuation**

	<b>FY18</b>	<b>FY19</b>	<b>FY20E</b>	<b>FY21E</b>	<b>FY22E</b>
Adjusted EBITDA	203,089	300,483	274,627	188,684	284,964
Target EV/EBITDA (x)			4.0	4.0	4.0
Target EV			1,098,509	754,735	1,139,856
Net debt	-311,085	-316,302	-230,793	-183,892	-304,529
Equity value			1,329,302	938,627	1,444,386
Target equity value (Sep '21)					1,191,506
<b>TP (INR/share)</b>					<b>193</b>

Source: Company, MOFSL

**Share of coal in power generation has decreased globally, but India a different case in point**

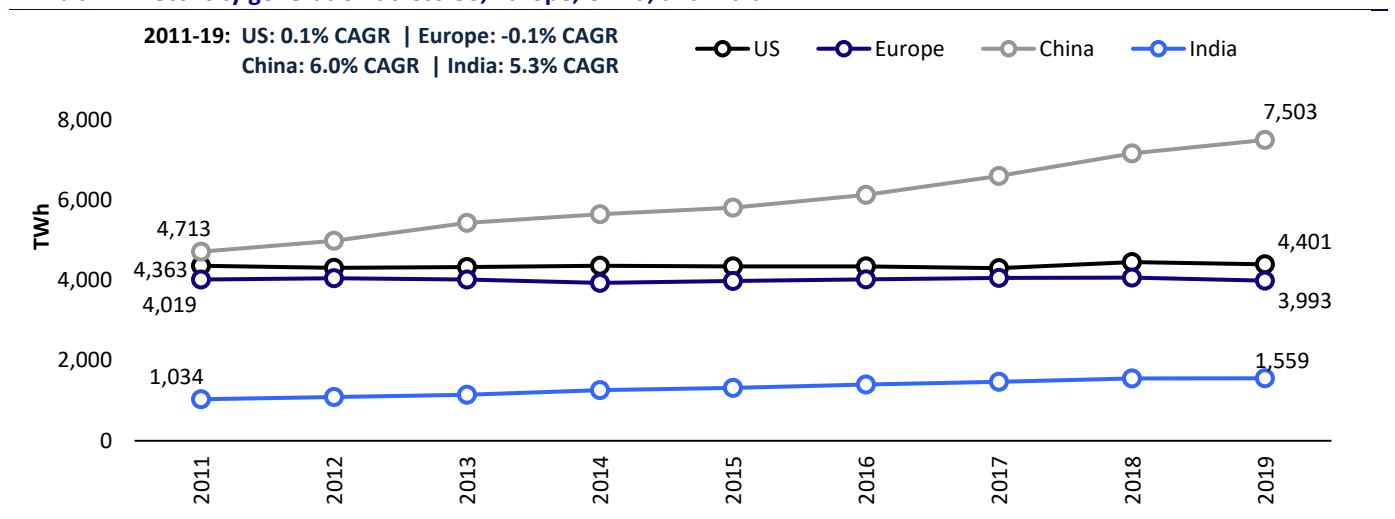
- In the past 24 months, the market capitalization for coal mining companies has plummeted. While local factors (such as regulations) may have played a part, the fall in market cap comes at a time when questions over the sustainability of thermal coal have heightened.
- Since 2011, coal-based electricity generation in the US has declined ~45%, and Europe has seen ~34% decline in the same. While China has seen an increase in coal-based electricity generation, its share in the overall generation mix has also been on the decline. Notably, India has not just seen an increase in coal generation but the share of coal in the generation mix has actually risen from 2011 levels.
- Two key factors come into play from an Indian context. 1) Electricity demand in India continues to grow at >5% (on a normalized basis). In such a scenario, replacing coal-based capacities is difficult as other generation sources would have to not just replace the existing generation but also cater to incremental demand. This is not the case in the US and Europe, wherein electricity demand has largely been flat over the past decade. 2) Other conventional sources are not in a position to displace coal. For e.g., in the US Electricity market, coal-based generation has largely been displaced by gas on the back of favorable economics for gas-based plants.
- Thus, despite the increased focus on renewables, coal would continue to dominate India's electricity production. Notably, per capita electricity consumption in India remains low (1/16th that in the US; 1/5th in China, and 1/3rd as per the world average), implying significant room for coal and renewables to co-exist and grow. Assuming a 6.5% power demand CAGR over FY20–25 and avg. annual 14GW of renewable capacity addition (at ~20% PLF), incremental renewable generation would be just 118BU – which would not be sufficient to meet even overall incremental demand (513 BU) over FY21–25.
- We expect coal-based generation to increase at a 6.4% CAGR over the same period, driving the need for coal in India. From a domestic perspective, we do not expect the government 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 65–70% of domestic demand. Thus, there is massive opportunity for import substitution (110–150mt of imported coal can be substituted). As and when commercial mines come up, it would likely displace these imports.

- Moreover, even if one were to make conservative assumptions such as (1) the capping of COAL's production at 726mt in FY24 and (2) decline in its share of domestic coal consumption to 58% in FY29 (66% in FY20), the PV of COAL's nine-year cash flows would be equivalent to its current market cap.

**Exhibit 11: Valuations of key coal mining companies**

	Mar'18			Mar'19			Mar'20			Current			
	M Cap (USD m)	1 yr fwd		M Cap (USD m)	1 yr fwd		M Cap (USD m)	1 yr fwd		M Cap (USD m)	1 yr fwd		
		P/E	EV/ EBITDA		P/E	EV/ EBITDA		P/E	EV/ EBITDA		P/E	EV/ EBITDA	
Coal mining cos													
India													
Coal India	26,996	10.0	5.8	21,240	8.7	5.7	11,451	8.7	4.8	10,661	5.3	2.4	
China													
China Shenua	62,757	10.8	6.3	55,930	10.4	4.6	44,286	8.9	4.6	51,197	10.5	4.9	
China Coal	9,000	13.9	10.6	8,681	14.5	8.6	6,295	8.7	7.1	7,085	9.9	7.0	
Yanzhou	8,459	9.2	10.4	6,596	8.2	8.6	5,142	5.6	7.7	5,986	7.0	8.6	
Indonesia													
Adaro	4,746	11.3	4.5	3,018	6.6	3.5	1,950	5.1	3.0	2,699	8.7	4.0	
Indo Tambangaya	2,311	7.9	3.9	1,897	7.2	3.4	564	4.5	1.6	737	11.0	3.8	
US													
Arch Coal	1,872	15.0	5.3	1,590	8.6	4.2	438	2.0	1.7	453	55.9	3.9	
Peabody	4,732	45.1	5.3	3,066	22.1	4.1	282	-2.1	1.8	112	-0.1	3.5	
Others													
Exxaro	3,198	8.4	6.1	4,088	7.4	6.6	1,995	5.5	6.2	2,994	6.3	7.8	
Avg. coal mining cos.	124,070	14.6	6.5	106,105	10.4	5.5	72,401	5.2	4.3	81,925	12.7	5.1	
Global miners with exposure to coal													
BHP Billiton	111,640	18.3	7.7	131,199	18.4	8.9	84,877	16.6	7.8	125,858	18.2	8.5	
Glencore	71,857	8.3	4.3	57,231	7.6	4.2	20,451	7.0	3.5	34,326	12.8	4.7	
Avg. global mining cos.	183,498	13.3	6.0	188,430	13.0	6.5	105,329	11.8	5.6	160,184	15.5	6.6	

Source: MOFSL, Bloomberg

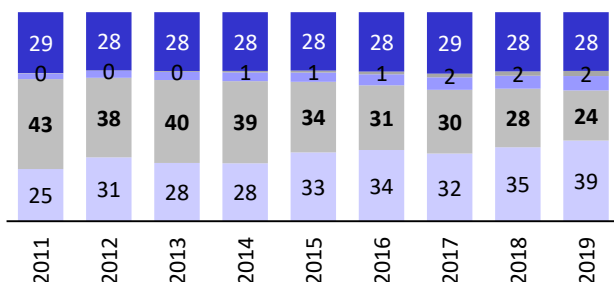
**Exhibit 12: Electricity generation across US, Europe, China, and India**

Source: BP, MOFSL

Exhibit 13: US: Electricity generation mix

## US : Fuel wise - Electricity generation mix

Gas - %      Coal - %      Wind - %  
Solar - %      Others - %

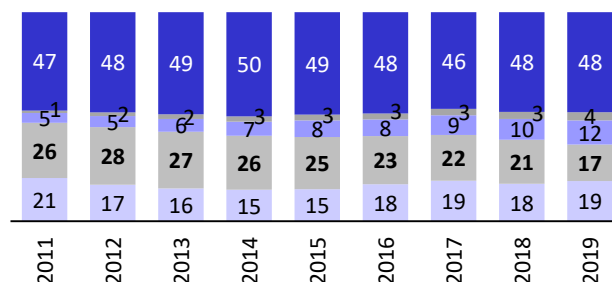


Source: MOFSL, BP

Exhibit 14: Europe: Electricity generation mix

## Europe : Fuel wise - Electricity generation mix

Gas - %      Coal - %      Wind - %  
Solar - %      Others - %

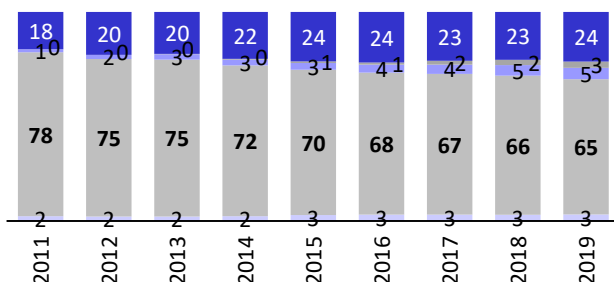


Source: MOFSL, BP

Exhibit 15: China: Electricity generation mix

## China : Fuel wise - Electricity generation mix

Gas - %      Coal - %      Wind - %  
Solar - %      Others - %

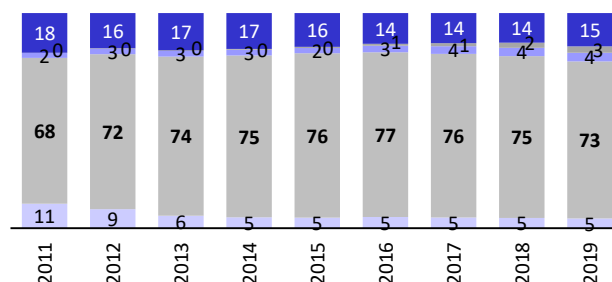


Source: MOFSL, BP

Exhibit 16: India: Electricity generation mix

## India : Fuel wise - Electricity generation mix

Gas - %      Coal - %      Wind - %  
Solar - %      Others - %



Source: MOFSL, BP

Exhibit 17: Coal India: Free cash flows (FY21–29)

		FY19	FY20	FY21E	FY22E	FY23E	FY24E	FY25E	FY26E	FY27E	FY28E	FY29E
Vols.	mt	608	581	580	665	698	726	726	726	726	726	726
Adj. EBITDA	INR/t	494	473	325	429	463	446	427	420	412	404	396
EBITDA	INR b	300	275	189	285	323	324	310	305	299	294	288
Operating cash flow*	INR b	212	110	111	274	285	272	264	259	253	248	243
Capex	INR b	73	56	95	95	95	95	95	95	95	95	95
Loan repayment	INR b	0	0	0	64	0	0	0	0	0	0	0
FCFE	INR b	139	54	16	115	190	177	169	164	158	153	148
Discount rate	%	12										
NPV of FCFE over FY21-29	INR b	806										

\*includes net other income

Source: MOFSL, Company



## Financials and valuations

Income Statement							(INR m)		
Y/E March	FY15	FY16	FY17	FY18	FY19	FY20	FY21E	FY22E	FY23E
<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>906,903</b>	<b>1,041,403</b>	<b>1,090,235</b>
Change (%)	5.0	5.2	0.5	9.6	15.9	-3.5	-5.6	14.8	4.7
<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>152,840</b>	<b>223,001</b>	<b>255,780</b>
% of Net Sales	23.4	24.0	15.8	19.7	25.1	22.8	16.9	21.4	23.5
Depreciation	23,198	28,259	29,101	30,664	34,504	34,508	35,933	37,358	38,783
Interest	73	3,862	4,117	4,318	2,750	5,029	5,079	5,130	5,182
Other Income	65,706	59,406	55,156	46,583	58,737	61,054	35,487	29,758	37,629
Extra Ordinary	-50	0	0	73,844	0	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>147,314</b>	<b>210,271</b>	<b>249,444</b>
Tax	78,573	71,719	51,660	37,067	96,625	73,710	37,123	52,988	62,860
Rate (%)	36.4	33.4	35.4	34.6	35.6	30.6	25.2	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>110,191</b>	<b>157,282</b>	<b>186,584</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>110,191</b>	<b>157,282</b>	<b>186,584</b>
Change (%)	-9.2	4.1	-34.1	-25.5	148.8	-4.4	-34.0	42.7	18.6
<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>110,191</b>	<b>157,282</b>	<b>186,584</b>
Change (%)	-14.1	4.1	-34.1	26.3	46.8	-4.4	-34.0	42.7	18.6

Balance Sheet							(INR m)		
Y/E March	FY15	FY16	FY17	FY18	FY19	FY20	FY21E	FY22E	FY23E
Share Capital	63,164	63,164	62,074	62,074	61,627	61,627	61,627	61,627	61,627
Reserves	340,367	285,168	183,194	136,392	202,912	259,942	298,509	381,868	480,758
<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>360,136</b>	<b>443,496</b>	<b>542,385</b>
Minority Interest	658	1,048	3,459	3,625	4,068	3,941	3,941	3,941	3,941
Loans	4,019	11,921	30,078	15,309	22,027	64,260	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	-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>395,227</b>	<b>478,587</b>	<b>577,476</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>	<b>758,802</b>
Less: Depreciation	286,929	26,824	55,984	84,805	115,888	150,397	186,330	223,689	262,472
<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>	<b>496,330</b>
Capital Work in Progress	51,594	59,044	103,078	137,710	136,984	127,714	127,714	127,714	127,714
Investments		73	106	3,443	4,622	9,144	9,144	9,144	9,144
<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>1,006,843</b>	<b>1,005,590</b>	<b>1,101,413</b>	<b>1,215,880</b>
Inventory	61,838	75,692	89,453	64,439	55,839	66,189	69,571	74,182	77,661
Debtors	85,219	114,476	107,359	86,892	54,986	144,082	186,350	156,924	149,347
Other Current Assets	61,808	241,078	285,187	351,324	391,553	490,106	490,106	490,106	490,106
Loans and Advances	105,150	1,024	358	10,238	16,441	11,412	11,412	11,412	11,412
Cash	559,060	409,137	327,021	326,394	338,330	295,053	248,151	368,789	487,354
<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>1,129,692</b>	<b>1,199,797</b>	<b>1,271,591</b>
Payables	9,208	32,972	39,002	45,169	68,155	101,076	84,479	92,621	96,964
Other current liabilities	687,994	734,010	842,981	1,012,348	968,399	1,009,370	1,045,214	1,107,177	1,174,628
<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>-103,602</b>	<b>-124,102</b>	<b>-98,384</b>	<b>-55,711</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>395,227</b>	<b>478,587</b>	<b>577,476</b>



## Financials and valuations

Cash Flow Statement							(INR m)		
Y/E March	FY15	FY16	FY17	FY18	FY19	FY20	FY21E	FY22E	FY23E
<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>188,684</b>	<b>284,964</b>	<b>323,231</b>
Non cash exp. (income)	21,428	21,565	37,046	-54,587	10,718	9,569	9,557	9,129	8,722
(Inc)/Dec in WC	6,487	-26,697	60,216	138,450	-48,918	-123,268	-62,246	32,957	8,441
Taxes paid	-95,721	-78,754	-89,427	-74,329	-95,329	-119,463	-37,123	-52,988	-62,860
<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>98,872</b>	<b>274,061</b>	<b>277,534</b>
Capex	-49,014	-57,857	-86,761	-85,293	-73,393	-56,120	-95,000	-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>3,872</b>	<b>179,061</b>	<b>182,534</b>
(Pur)/Sale of Investments	9,615	-1	-50	-3,332	-1,184	-4,539	0	0	0
Interest/dividend	52,871	50,349	34,642	24,044	31,410	34,573	25,930	20,630	28,907
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>-69,070</b>	<b>-74,370</b>	<b>-66,093</b>
Equity raised/(repaid)	0	0	-45,531	0	0	0	0	0	0
Debt raised/(repaid)	1,935	9,902	18,169	-14,778	6,718	22,776	0	0	0
Interest paid	-73	-207	-306	-370	-96	-686	-5,079	-5,130	-5,182
Dividend (incl. tax)	-155,963	-208,302	-151,031	-123,238	-112,110	-96,760	-71,624	-73,923	-87,695
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>-76,703</b>	<b>-79,053</b>	<b>-92,876</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>-46,902</b>	<b>120,638</b>	<b>118,565</b>
Add: Beginning Balance	561,644	559,060	409,137	327,021	326,394	338,330	295,053	248,151	368,789
<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>248,151</b>	<b>368,789</b>	<b>487,354</b>

### Ratios

Y/E March	FY15	FY16	FY17	FY18	FY19	FY20	FY21E	FY22E	FY23E
<b>Basic</b>									
<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>17.9</b>	<b>25.5</b>	<b>30.3</b>
Cash EPS	31.5	31.5	24.2	29.5	42.2	41.7	29.5	41.6	47.5
Book Value	63.9	55.1	39.5	32.0	42.9	52.2	58.4	72.0	88.0
DPS	20.7	27.4	19.9	16.5	13.1	12.0	11.6	12.0	14.2
Payout (incl. Div. Tax.)	112.9	145.5	160.3	103.3	55.5	53.3	65.0	47.0	47.0
<b>Valuation (x)</b>									
P/E	16.7	12.9	19.3	14.8	8.4	5.2	7.3	5.1	4.3
Cash P/E	11.5	9.3	12.1	9.6	5.6	3.4	4.4	3.1	2.7
P/BV	5.7	5.3	7.4	8.9	5.5	2.7	2.2	1.8	1.5
EV/Adj. EBITDA	8.2	6.7	10.1	7.1	3.8	2.3	3.3	1.7	1.2
Dividend Yield (%)	5.7	9.4	6.8	5.8	5.5	8.6	9.0	9.3	11.0
EV /ton of Reserves	79.7	66.6	69.9	66.6	52.7	29.1	28.3	22.7	17.3
<b>Profitability Ratios (%)</b>									
Debtor (Days)	42.0	53.6	50.0	36.9	20.2	54.7	75.0	55.0	50.0
Inventory (Days)	30.5	35.4	41.7	27.4	20.5	25.1	28.0	26.0	26.0
Payables (Days)	4.5	15.4	18.2	19.2	25.0	38.4	34.0	32.5	32.5
Asset turnover(x)	1.9	2.3	3.1	5.2	4.0	2.7	2.3	2.2	1.9
<b>Profitability Ratios (%)</b>									
RoE	34.0	41.0	38.4	35.4	66.0	51.9	30.6	35.5	34.4
RoCE	34.5	39.9	32.7	58.4	85.7	56.4	30.3	36.9	36.1

## NOTES

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

\*In case the recommendation given by the Research Analyst is inconsistent with the investment rating legend for a continuous period of 30 days, the Research Analyst shall within following 30 days take appropriate measures to make the recommendation consistent with the investment rating legend.

#### Disclosures

The following Disclosures are being made in compliance with the SEBI Research Analyst Regulations 2014 (herein after referred to as the Regulations).

Motilal Oswal Financial Services Ltd. (MOFSL) is a SEBI Registered Research Analyst having registration no. INH000000412. MOFSL, the Research Entity (RE) as defined in the Regulations, is engaged in the business of providing Stock broking services, Investment Advisory Services, Depository participant services & distribution of various financial products. MOFSL is a subsidiary company of Passionate Investment Management Pvt. Ltd.. (PIMPL). MOFSL is a listed public company, the details in respect of which are available on [www.motilaloswal.com](http://www.motilaloswal.com). MOFSL (erstwhile Motilal Oswal Securities Limited - MOSL) is registered with the Securities & Exchange Board of India (SEBI) and is a registered Trading Member with National Stock Exchange of India Ltd. (NSE) and Bombay Stock Exchange Limited (BSE), Multi Commodity Exchange of India Limited (MCX) and National Commodity & Derivatives Exchange Limited (NCDEX) for its stock broking activities & is Depository participant with Central Depository Services Limited (CDSL) National Securities Depository Limited (NSDL), NERL, COMRIS and CCRL and is member of Association of Mutual Funds of India (AMFI) for distribution of financial products and Insurance Regulatory & Development Authority of India (IRDA) as Corporate Agent for insurance products. Details of associate entities of Motilal Oswal Financial Services Limited are available on the website at <http://onlinereports.motilaloswal.com/Dormant/documents/List%20of%20Associate%20companies.pdf>

MOFSL and its associate company(ies), their directors and Research Analyst and their relatives may; (a) from time to time, have a long or short position in, act as principal in, and buy or sell the securities or derivatives thereof of companies mentioned herein. (b) be engaged in any other transaction involving such securities and earn brokerage or other compensation or act as a market maker in the financial instruments of the company(ies) discussed herein or act as an advisor or lender/borrower to such company(ies) or may have any other potential conflict of interests with respect to any recommendation and other related information and opinions.; however the same shall have no bearing whatsoever on the specific recommendations made by the analyst(s), as the recommendations made by the analyst(s) are completely independent of the views of the associates of MOFSL even though there might exist an inherent conflict of interest in some of the stocks mentioned in the research report

MOFSL and / or its affiliates do and seek to do business including investment banking with companies covered in its research reports. As a result, the recipients of this report should be aware that MOFSL may have a potential conflict of interest that may affect the objectivity of this report. Compensation of Research Analysts is not based on any specific merchant banking, investment banking or brokerage service transactions. Details of pending Enquiry Proceedings of Motilal Oswal Financial Services Limited are available on the website at <https://galaxy.motilaloswal.com/ResearchAnalyst/PublishViewLitigation.aspx>

A graph of daily closing prices of securities is available at [www.nseindia.com](http://www.nseindia.com), [www.bseindia.com](http://www.bseindia.com). Research Analyst views on Subject Company may vary based on Fundamental research and Technical Research. Proprietary trading desk of MOFSL or its associates maintains arm's length distance with Research Team as all the activities are segregated from MOFSL research activity and therefore it can have an independent view with regards to Subject Company for which Research Team have expressed their views.

#### Regional Disclosures (outside India)

This report is not directed or intended for distribution to or use by any person or entity resident in a state, country or any jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject MOFSL & its group companies to registration or licensing requirements within such jurisdictions.

#### For Hong Kong:

This report is distributed in Hong Kong by Motilal Oswal capital Markets (Hong Kong) Private Limited, a licensed corporation (CE AYY-301) licensed and regulated by the Hong Kong Securities and Futures Commission (SFC) pursuant to the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) "SFO". As per SEBI (Research Analyst Regulations) 2014 Motilal Oswal Securities (SEBI Reg No. INH000000412) has an agreement with Motilal Oswal capital Markets (Hong Kong) Private Limited for distribution of research report in Hong Kong. This report is intended for distribution only to "Professional Investors" as defined in Part I of Schedule 1 to SFO. Any investment or investment activity to which this document relates is only available to professional investor and will be engaged only with professional investors." Nothing here is an offer or solicitation of these securities, products and services in any jurisdiction where their offer or sale is not qualified or exempt from registration. The Indian Analyst(s) who compile this report is/are not located in Hong Kong & are not conducting Research Analysis in Hong Kong.

#### For U.S.

Motilal Oswal Financial Services Limited (MOFSL) is not a registered broker - dealer under the U.S. Securities Exchange Act of 1934, as amended (the "1934 act") and under applicable state laws in the United States. In addition MOFSL is not a registered investment adviser under the U.S. Investment Advisers Act of 1940, as amended (the "Advisers Act") and together with the 1934 Act, the "Acts), and under applicable state laws in the United States. Accordingly, in the absence of specific exemption under the Acts, any brokerage and investment services provided by MOFSL, including the products and services described herein are not available to or intended for U.S. persons. This report is intended for distribution only to "Major Institutional Investors" as defined by Rule 15a-6(b)(4) of the Exchange Act and interpretations thereof by SEC (henceforth referred to as "major institutional investors"). This document must not be acted on or relied on by persons who are not major institutional investors. Any investment or investment activity to which this document relates is only available to major institutional investors and will be engaged in only with major institutional investors. In reliance on the exemption from registration provided by Rule 15a-6 of the U.S. Securities Exchange Act of 1934, as amended (the "Exchange Act") and interpretations thereof by the U.S. Securities and Exchange Commission ("SEC") in order to conduct business with Institutional Investors based in the U.S., MOFSL has entered into a chaperoning agreement with a U.S. registered broker-dealer, Motilal Oswal Securities International Private Limited. ("MOSIPL"). Any business interaction pursuant to this report will have to be executed within the provisions of this chaperoning agreement.

The Research Analysts contributing to the report may not be registered /qualified as research analyst with FINRA. Such research analyst may not be associated persons of the U.S. registered broker-dealer, MOSIPL, and therefore, may not be subject to NASD rule 2711 and NYSE Rule 472 restrictions on communication with a subject company, public appearances and trading securities held by a research analyst account.

#### For Singapore

In Singapore, this report is being distributed by Motilal Oswal Capital Markets Singapore Pte Ltd ("MOCMSPL") (Co.Reg. NO. 201129401Z) which is a holder of a capital markets services license and an exempt financial adviser in Singapore. As per the approved agreement under Paragraph 9 of Third Schedule of Securities and Futures Act (CAP 289) and Paragraph 11 of First Schedule of Financial Advisors Act (CAP 110) provided to MOCMSPL by Monetary Authority of Singapore. Persons in Singapore should contact MOCMSPL in respect of any matter arising from, or in connection with this report/publication/communication. This report is distributed solely to persons who qualify as "Institutional Investors", of which some of whom may consist of "accredited" institutional investors as defined in section 4A(1) of the Securities and Futures Act, Chapter 289 of Singapore ("the SFA"). Accordingly, if a Singapore person is not or ceases to be such an institutional investor, such Singapore Person must immediately discontinue any use of this Report and inform MOCMSPL.

#### Specific Disclosures

- 1 MOFSL, Research Analyst and/or his relatives does not have financial interest in the subject company, as they do not have equity holdings in the subject company.
- 2 MOFSL, Research Analyst and/or his relatives do not have actual/beneficial ownership of 1% or more securities in the subject company
- 3 MOFSL, Research Analyst and/or his relatives have not received compensation/other benefits from the subject company in the past 12 months
- 4 MOFSL, Research Analyst and/or his relatives do not have material conflict of interest in the subject company at the time of publication of research report
- 5 Research Analyst has not served as director/officer/employee in the subject company
- 6 MOFSL has not acted as a manager or co-manager of public offering of securities of the subject company in past 12 months
- 7 MOFSL has not received compensation for investment banking/ merchant banking/brokerage services from the subject company in the past 12 months
- 8 MOFSL has not received compensation for other than investment banking/merchant banking/brokerage services from the subject company in the past 12 months
- 9 MOFSL has not received any compensation or other benefits from third party in connection with the research report
- 10 MOFSL has not engaged in market making activity for the subject company

The associates of MOFSL may have:

- financial interest in the subject company
- actual/beneficial ownership of 1% or more securities in the subject company
- received compensation/other benefits from the subject company in the past 12 months
- other potential conflict of interests with respect to any recommendation and other related information and opinions.; however the same shall have no bearing whatsoever on the specific recommendations made by the analyst(s), as the recommendations made by the analyst(s) are completely independent of the views of the associates of MOFSL even though there might exist an inherent conflict of interest in some of the stocks mentioned in the research report.
- acted as a manager or co-manager of public offering of securities of the subject company in past 12 months
- be engaged in any other transaction involving such securities and earn brokerage or other compensation or act as a market maker in the financial instruments of the company(ies) discussed herein or act as an advisor or lender/borrower to such company(ies)
- received compensation from the subject company in the past 12 months for investment banking / merchant banking / brokerage services or from other than said services.

The associates of MOFSL has not received any compensation or other benefits from third party in connection with the research report

Above disclosures include beneficial holdings lying in demat account of MOFSL which are opened for proprietary investments only. While calculating beneficial holdings, It does not consider demat accounts which are opened in name of MOFSL for other purposes (i.e holding client securities, collaterals, error trades etc.). MOFSL also earns DP income from clients which are not considered in above disclosures.

#### Analyst Certification

The views expressed in this research report accurately reflect the personal views of the analyst(s) about the subject securities or issues, and no part of the compensation of the research analyst(s) was, is, or will be directly or indirectly related to the specific recommendations and views expressed by research analyst(s) in this report.

#### Terms & Conditions:

This report has been prepared by MOFSL and is meant for sole use by the recipient and not for circulation. The report and information contained herein is strictly confidential and may not be altered in any way, transmitted to, copied or distributed, in part or in whole, to any other person or to the media or reproduced in any form, without prior written consent of MOFSL. The report is based on the facts, figures and information that are considered true, correct, reliable and accurate. The intent of this report is not recommendatory in nature. The information is obtained from publicly available media or other sources believed to be reliable. Such information has not been independently verified and no guaranty, representation of warranty, express or implied, is made as to its accuracy, completeness or correctness. All such information and opinions are subject to change without notice. The report is prepared solely for informational purpose and does not constitute an offer document or solicitation of offer to buy or sell or subscribe for securities or other financial instruments for the clients. Though disseminated to all the customers simultaneously, not all customers may receive this report at the same time. MOFSL will not treat recipients as customers by virtue of their receiving this report.

#### Disclaimer:

The report and information contained herein is strictly confidential and meant solely for the selected recipient and may not be altered in any way, transmitted to, copied or distributed, in part or in whole, to any other person or to the media or reproduced in any form, without prior written consent. This report and information herein is solely for informational purpose and may not be used or considered as an offer document or solicitation of offer to buy or sell or subscribe for securities or other financial instruments. Nothing in this report constitutes investment, legal, accounting and tax advice or a representation that any investment or strategy is suitable or appropriate to your specific circumstances. The securities discussed and opinions expressed in this report may not be suitable for all investors, who must make their own investment decisions, based on their own investment objectives, financial positions and needs of specific recipient. This may not be taken in substitution for the exercise of independent judgment by any recipient. Each recipient of this document should make such investigations as it deems necessary to arrive at an independent evaluation of an investment in the securities of companies referred to in this document (including the merits and risks involved), and should consult its own advisors to determine the merits and risks of such an investment. The investment discussed or views expressed may not be suitable for all investors. Certain transactions -including those involving futures, options, another derivative products as well as non-investment grade securities - involve substantial risk and are not suitable for all investors. No representation or warranty, express or implied, is made as to the accuracy, completeness or fairness of the information and opinions contained in this document. The Disclosures of Interest Statement incorporated in this document is provided solely to enhance the transparency and should not be treated as endorsement of the views expressed in the report. This information is subject to change without any prior notice. The Company reserves the right to make modifications and alternations to this statement as may be required from time to time without any prior approval. MOFSL, its associates, their directors and the employees may from time to time, effect or have effected an own account transaction in, or deal as principal or agent in or for the securities mentioned in this document. They may perform or seek to perform investment banking or other services for, or solicit investment banking or other business from, any company referred to in this report. Each of these entities functions as a separate, distinct and independent of each other. The recipient should take this into account before interpreting the document. This report has been prepared on the basis of information that is already available in publicly accessible media or developed through analysis of MOFSL. The views expressed are those of the analyst, and the Company may or may not subscribe to all the views expressed therein. This document is being supplied to you solely for your information and may not be reproduced, redistributed or passed on, directly or indirectly, to any other person or published, copied, in whole or in part, for any purpose. This report is not directed or intended for distribution to, or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject MOFSL to any registration or licensing requirement within such jurisdiction. The securities described herein may or may not be eligible for sale in all jurisdictions or to certain category of investors. Persons in whose possession this document may come are required to inform themselves of and to observe such restriction. Neither the Firm, nor its directors, employees, agents or representatives shall be liable for any damages whether direct or indirect, incidental, special or consequential including lost revenue or lost profits that may arise from or in connection with the use of the information. The person accessing this information specifically agrees to exempt MOFSL or any of its affiliates or employees from, any and all responsibility/liability arising from such misuse and agrees not to hold MOFSL or any of its affiliates or employees responsible for any such misuse and further agrees to hold MOFSL or any of its affiliates or employees free and harmless from all losses, costs, damages, expenses that may be suffered by the person accessing this information due to any errors and delays.

Registered Office Address: Motilal Oswal Tower, Rahimtullah Sayani Road, Opposite Parel ST Depot, Prabhadevi, Mumbai-400025; Tel No.: 022 71934200/ 022-71934263; Website [www.motilaloswal.com](http://www.motilaloswal.com); CIN no.: L67190MH2005PLC153397; Correspondence Office Address: Palm Spring Centre, 2nd Floor, Palm Court Complex, New Link Road, Malad(West), Mumbai- 400 064. Tel No: 022 7188 1000.

Registration Nos.: Motilal Oswal Financial Services Limited (MOFSL)\*: INZ000158836(BSE/NSE/MCX/NCDEX); CDSL and NSDL: IN-DP-16-2015; Research Analyst: INH000000412. AMFI: ARN - 146822; Investment Adviser: INA000007100; Insurance Corporate Agent: CA0579;PMS:INP000006712. Motilal Oswal Asset Management Company Ltd. (MOAMC): PMS (Registration No.: INP000000670); PMS and Mutual Funds are offered through MOAMC which is group company of MOFSL. Motilal Oswal Wealth Management Ltd. (MOWML): PMS (Registration No.: INP000004409) is offered through MOWML, which is a group company of MOFSL. Motilal Oswal Financial Services Limited is a distributor of Mutual Funds, PMS, Fixed Deposit, Bond, NCDs, Insurance Products and IPOs. Real Estate is offered through Motilal Oswal Real Estate Investment Advisors II Pvt. Ltd. which is a group company of MOFSL. Private Equity is offered through Motilal Oswal Private Equity Investment Advisors Pvt. Ltd which is a group company of MOFSL. Research & Advisory services is backed by proper research. Please read the Risk Disclosure Document prescribed by the Stock Exchanges carefully before investing. There is no assurance or guarantee of the returns. Investment in securities market is subject to market risk, read all the related documents carefully before investing. Details of Compliance Officer: Name: Neeraj Agarwal, Email ID: [na@motilaloswal.com](mailto:na@motilaloswal.com), Contact No.: 022-71881085.

\* MOSL has been amalgamated with Motilal Oswal Financial Services Limited (MOFSL) w.e.f August 21, 2018 pursuant to order dated July 30, 2018 issued by Hon'ble National Company Law Tribunal, Mumbai Bench.