

FSA realisation surprises positively....

Coal India (CIL) reported a healthy set of Q4FY19 numbers wherein topline, EBITDA and PAT came in notably higher than our estimate. Better-than-expected performance was primarily on the back of higher-than-expected fuel supply agreement (FSA) realisations. FSA realisation during the quarter was at ₹ 1460/tonne (vs. ₹ 1403/tonne in Q4FY18), higher than our estimate of ₹ 1350/tonne. CIL reported sales volumes of 163.4 million tonne (MT) (up 6.1% QoQ, 2.4% YoY). The company reported a total operating income of ₹ 28546.3 crore (up 7.5% YoY, 14.0% QoQ). EBITDA came in at ₹ 8212.2 crore (up 21% QoQ), higher than our estimate of ₹ 6524.8 crore. EBITDA margin was at 28.8% (up 170 bps QoQ), higher than our estimate of 23.6%. Reported EBITDA per tonne was at ₹ 502.5/tonne (up 14.1% QoQ), higher than our estimate of ₹ 399/tonne. Ensuing PAT came in at ₹ 6024 crore (up 32% QoQ), higher than our estimate of ₹ 4417.2 crore.

Offtake to grow at CAGR of 3.4% in FY19-21E

For Q4FY19, FSA sales volumes came in at 142.4 MT (up 12.7% YoY, 4.9% QoQ). FSA realisation during the quarter was at ₹ 1460/tonne (vs. ₹ 1403/tonne in Q4FY18), higher than our estimate of ₹ 1350/tonne. E-auction volumes were at 16.7 MT, up 13.7% QoQ, marginally higher than our estimate of 16.3 MT. E-auction realisations were down 3.3% QoQ to ₹ 2754/tonne. For FY19, CIL reported a sales volume of 608.1 MT, up 4.8% YoY. Going forward, we model CIL's offtake volume of 625 MT for FY20E and 650 MT for FY21E, implying a CAGR of 3.4% in FY19-21E.

EBITDA margins to hover around ~23% levels...

For FY19, CIL reported a consolidated EBITDA margin of 25.1%. EBITDA margin was supported by an increase in FSA realisations. However e-auction volume remain muted (68.5 MT in FY19 compared to 106.3 MT in FY18). Going forward, we expect consolidated EBITDA margin to hover around 23% over the next couple of years.

Valuation & Outlook

Coal India reported a healthy performance for Q4FY19. Going forward, we expect CIL's offtake volume to grow at a CAGR of 3.4% in FY19-21E while EBITDA margin to remain steady at ~23%. Going forward, we value the stock at 5.5x FY21E EV/EBITDA and arrive at a target price of ₹ 275. We maintain our **HOLD** recommendation on the stock.



Particulars

Particular	Amount
Market Capitalization	₹ 160847 crore
Total Debt (FY19)	₹ 2203 crore
Cash and Investments (FY19)	₹ 31124 crore
EV	₹ 131926 crore
52 week H/L	303 / 212
Equity capital	₹ 6162.73 crore

Key Highlights

- For Q4FY19, FSA sales volume came in at 142.4 MT (up 12.7% YoY, 4.9% QoQ)
- FSA realisation during the quarter was at ₹ 1460/tonne (compared to ₹ 1403/tonne during Q4FY18), higher than our estimate of ₹ 1350/tonne
- Maintain our HOLD rating

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Key Financial Summary

(₹ Crore)	FY17	FY18	FY19	FY20E	FY21E
Total Operating Income	78,221	85,244	99,547	100,717	104,640
EBITDA	12,240	9,288	24,977	23,467	24,300
EBITDA Margin (%)	15.6	10.9	25.1	23.3	23.2
PAT	14,434	7,038	17,463	17,824	18,414
EPS (₹)	23.3	11.3	28.3	28.9	29.9
EV/EBITDA (x)	8.1	10.5	4.4	5.4	5.1
RoCE (%)	27.8	40.8	86.4	67.7	61.4
RoE (%)	36.5	34.9	66.2	54.6	48.3

Source: Company, ICICI Direct Research

Exhibit 1: Variance Analysis

	Q4FY19	Q4FY19E	Q4FY18	YoY (%)	Q3FY19	QoQ (%)	Comments
Total Operating Income	28,546.3	27,636.9	26,909.2	6.1	25,045.8	14.0	Topline came in higher than our estimates
Other Income	1,819.6	1,578.0	2,000.2	-9.0	1,163.3	56.4	
Employee Expenses	10,700.8	10,750.0	16,653.9	-35.7	9,517.6	12.4	
Raw Material Expenses	520.8	650.0	769.5	-32.3	1,935.8	-73.1	
Power & Fuel	604.6	625.0	631.0	-4.2	606.2	-0.3	
Contractual Expenses	3,838.6	4,350.0	3,895.4	-1.5	3,627.5	5.8	
Overburden Removal adj	2,207.7	2,250.0	2,484.7	-11.1	1,177.7	87.5	
Other Expenses	2,461.7	2,487.1	2,279.2	8.0	1,393.1	76.7	
EBITDA	8,212.2	6,524.8	195.5	4,100.6	6,787.8	21.0	EBITDA came in higher than our estimates
EBITDA Margin (%)	28.8	23.6	0.7	2804bps	27.1	167bps	EBITDA margin came in higher than our estimates
Depreciation	1,037.2	1,125.0	930.8	11.4	861.1	20.5	
Interest	101.9	75.9	112.7	-9.6	62.0	64.4	
Exceptional Item	-	-	-	-	-	-	
PBT	8,892.7	6,901.9	1,152.1	671.9	7,028.1	26.5	
Total Tax	2,865.9	2,484.7	(142.3)	-2,114.0	2,462.3	16.4	
PAT	6,026.8	4,417.2	1,294.4	365.6	4,565.7	32.0	PAT came in higher than our estimates
Key Metrics							
Coal Sales (million tonne)	163	163	159	2.8	154	6.1	Sales volume came in line with our estimates
EBITDA/tonne	502.6	399.3	12.3		440.8		

Source: Company, ICICI Direct Research

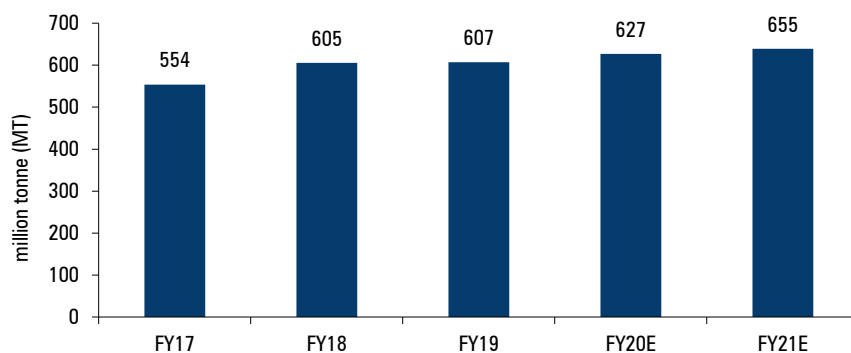
Exhibit 2: Change in Estimates

(₹ Crore)	FY20E			FY21E		
	Change	New	Old	%Change	Introduced	
Total Op. Income	0.8	98,068	98,577	-0.5	101,991	Upward revise FY20E, introduce FY21E
EBITDA	-31.4	23,467	21,327	10.0	24,300	
EBITDA Margin (%)	512 bps	23.9	21.6	229 bps	23.8	
PAT	-20.2	17,824	14,863	19.9	18,414	
EPS (₹)	-20.2	28.9	23.9	19.9	29.9	

Source: Company, ICICI Direct Research

Financial story in charts

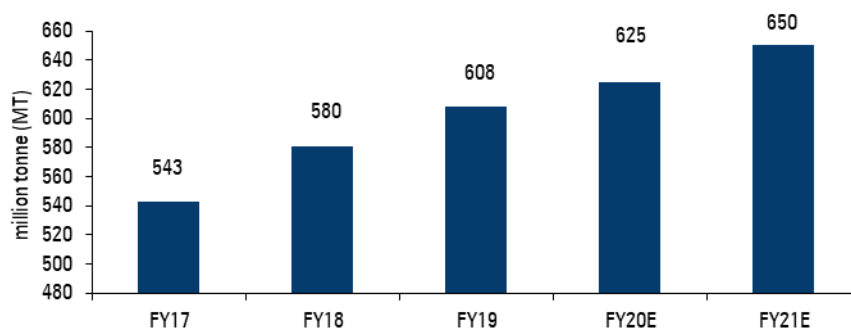
Exhibit 3: Trend in production



Modelled coal production of 627 MT for FY20E and 655 MT for FY21E.

Source: Company, ICICI Direct Research

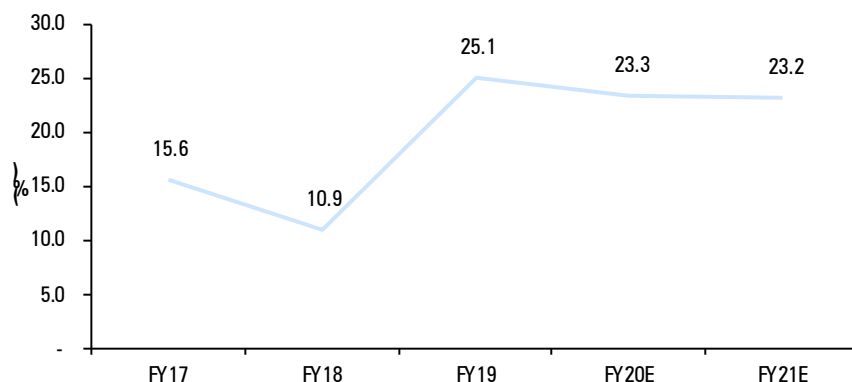
Exhibit 4: Trend in offtake



Modelled coal offtake of 625 MT for FY20E and 650 MT for FY21E.

Source: Company, ICICI Direct Research

Exhibit 5: Trend in reported consolidated EBITDA margin (in %)



Over the next couple of years, we expect EBITDA margin to hover at ~23%

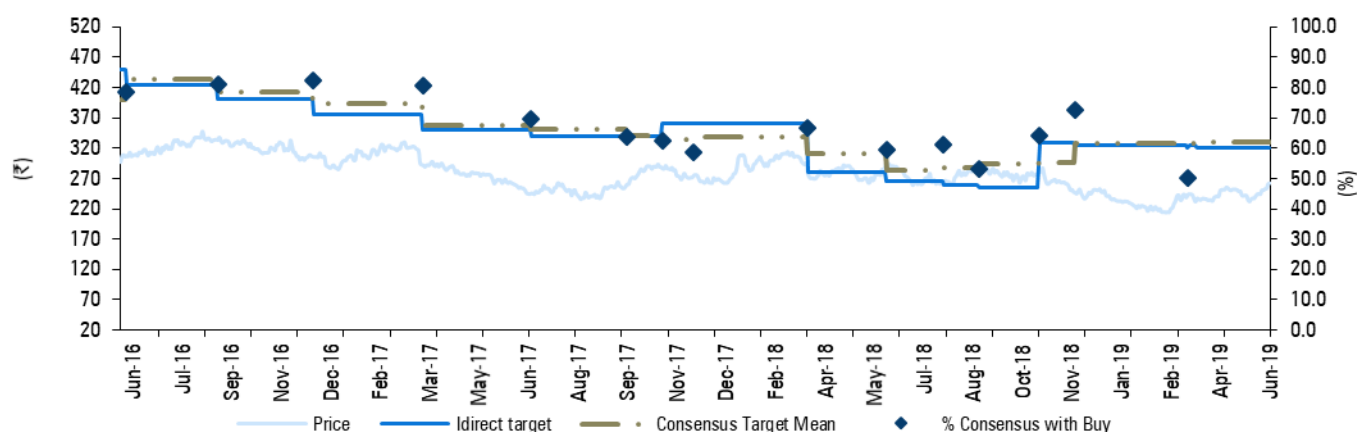
Source: Company, ICICI Direct Research

Exhibit 6: Valuation

	Op. Inc.	Growth	EPS	Growth	PE	Adj. EV/EBITDA	RoNW	RoCE
	(₹ cr)	(%)	(₹)	(%)	(x)	(x)	(%)	(%)
FY17	78,221	0.3	23.3	2.9	11.2	8.1	36.5	27.8
FY18	85,244	9.0	11.3	-51.2	23.0	10.5	34.9	40.8
FY19	99,547	16.8	28.3	149.9	9.2	4.4	66.2	86.4
FY20E	100,717	1.2	28.9	2.1	9.0	5.4	54.6	67.7
FY21E	104,640	3.9	29.9	3.3	8.7	5.1	48.3	61.4

Source: Company, ICICI Direct Research

Exhibit 7: Recommendation History vs. Consensus Recommendation History



Source: Bloomberg, Company, Reuters

Exhibit 8: Top 10 Shareholders

Rank	Name	Latest Filing Date	% O/S	Position	Change
1	Government of India	31-03-2019	71.0	4,373.02M	-128.89M
2	Life Insurance Corporation of India	31-03-2019	10.9	674.00M	-3.34M
3	Reliance Nippon Life Asset Management Limited	30-04-2019	1.7	104.97M	-43.31M
4	HDFC Asset Management Co., Ltd.	30-04-2019	1.6	96.15M	+8.93M
5	ICICI Prudential Asset Management Co. Ltd.	31-03-2019	1.1	69.69M	-5.20M
6	The Vanguard Group, Inc.	30-04-2019	0.8	50.89M	-0.36M
7	Capital World Investors	31-03-2019	0.7	45.81M	0
8	BlackRock Institutional Trust Company, N.A.	30-04-2019	0.6	37.42M	+13.48M
9	SBI Funds Management Pvt. Ltd.	30-04-2019	0.5	31.78M	-1.27M

Source: Reuters, ICICI Direct Research

Exhibit 9: Recent Activity

Buys			Sells		
Investor name	Value	Shares	Investor name	Value	Shares
BlackRock Institutional Trust Company, N.A.	48.8M	13.5M	Government of India	-441.9M	-128.9M
HDFC Asset Management Co., Ltd.	32.4M	8.9M	Reliance Nippon Life Asset Management Limited	-156.8M	-43.3M
Lazard Asset Management, L.L.C.	23.0M	6.4M	ICICI Prudential Asset Management Co. Ltd.	-17.8M	-5.2M
Voya Investment Management LLC	5.8M	1.7M	Tata Asset Management Limited	-16.8M	-4.6M
Caisse de Depot et Placement du Quebec	4.8M	1.4M	Aditya Birla Sun Life AMC Limited	-15.9M	-4.4M

Source: Reuters, ICICI Direct Research

Exhibit 10: Shareholding Pattern

	Sep-18	Dec-18	Mar-19
Promoters	78.3	72.9	71.0
Others	21.7	27.1	29.0

Source: Company, ICICI Direct Research

Financial summary

Exhibit 11: Profit and loss statement ₹ crore				
(Year-end March)	FY18	FY19	FY20E	FY21E
Total Operating Income	85244.2	99546.9	100717.5	104640.2
Growth (%)	9.0	16.8	1.2	3.9
Total Operating Expenditure	75956.0	74569.8	77250.0	80340.0
EBITDA	9288.2	24977.2	23467.5	24300.2
Growth (%)	-24.1	168.9	-6.0	3.5
Depreciation	3062.7	3450.4	3536.6	3625.0
Interest	430.1	275.0	206.3	154.7
Other Income	4974.9	5873.7	6629.8	6762.3
Exceptional Item	-	-	-	-
PBT	10770.3	27125.5	26354.3	27282.8
Total Tax	3732.3	9662.5	8530.3	8868.7
PAT	7038.0	17463.0	17824.0	18414.1
Growth (%)	-51.2	148.1	2.1	3.3
Adj EPS (₹)	11.3	28.3	28.9	29.9

Source: Company, ICICI Direct Research

Exhibit 12: Cash flow statement ₹ crore				
(Year-end March)	FY18	FY19	FY20E	FY21E
Profit after Tax	7038.0	17463.0	17824.0	18414.1
Add: Depreciation	3062.7	3450.4	3536.6	3625.0
Add: Interest	430.1	275.0	206.3	154.7
(Inc)/dec in Current Assets	-3020.9	-1308.5	-9209.2	-3691.7
Inc/(dec) in CL and Prov.	15200.2	256.8	1389.5	4219.6
CF from operating activities	22710.0	20136.8	13747.2	22721.7
(Inc)/dec in Investments	-220.8	-1467.3	-1000.0	-1000.0
(Inc)/dec in Fixed Assets	-8511.7	-7876.2	-7324.0	-8000.0
Others	-650.9	-130.7	-1000.0	-1000.0
CF from investing activities	-9383.4	-9474.2	-9324.0	-10000.0
Issue/(Buy back) of Equity	16.5	44.3	50.0	50.0
Inc/(dec) in loan funds	-1476.9	671.8	-500.0	-500.0
Interest Paid	-430.1	-275.0	-206.3	-154.7
Dividend paid & dividend tax	-11983.4	-9445.6	-11536.6	-12978.6
Others	-14406.5	-1814.3	0.0	0.0
CF from financing activities	-28280.3	-10818.8	-12192.9	-13583.4
Net Cash flow	-14953.7	-156.2	-7769.7	-861.6
Opening Cash	46233.7	31280.4	31124.2	23354.4
Closing Cash	31280.4	31124.2	23354.4	22492.7

Source: Company, ICICI Direct Research

Exhibit 13: Balance sheet ₹ crore				
(Year-end March)	FY18	FY19	FY20E	FY21E
Liabilities				
Equity Share Capital	6,207.4	6,162.7	6,162.7	6,162.7
Reserve and Surplus	13,971.3	20,219.2	26,506.6	31,942.1
Total Shareholders funds	20178.7	26381.9	32669.3	38104.8
Total Debt	1530.9	2202.7	1702.7	1202.7
Minority Interest	362.5	406.8	456.8	506.8
Total Liabilities	22072	28992	34829	39815
Assets				
Gross Block	65518.0	74070.5	80070.5	86070.5
Less: Acc Depreciation	37943.9	41420.8	45633.4	49258.4
Net Block	27574.1	32649.7	34437.1	36812.0
CWIP	10272.7	9622.9	11622.9	13622.9
Investments	1703.6	3171.0	4171.0	5171.0
Inventory	6443.9	5583.9	7619.2	7923.9
Debtors	6257.8	5498.6	9672.5	10059.4
Loans and Advances	12339.8	13902.2	15902.2	17902.2
Other Current Assets	26215.2	27580.4	28580.4	29580.4
Cash	31280.0	31124.2	23354.4	22492.7
Total Current Assets	82536.6	83689.3	85128.7	87958.7
Current Liabilities	41340.9	44099.4	42988.9	44708.4
Provisions	62057.7	59556.0	62056.0	64556.0
Current Liabilities & Prov	103398.5	103655.4	105044.9	109264.4
Net Current Assets	-20862.0	-19966.1	-19916.2	-21305.8
Others	3383.7	3514.4	4514.4	5514.4
Application of Funds	22072	28992	34829	39815

Source: Company, ICICI Direct Research

Exhibit 14: Key ratios ₹ crore				
(Year-end March)	FY18	FY19	FY20E	FY21E
Per share data (₹)				
Adj EPS	11.3	28.3	28.9	29.9
Cash EPS	16.3	33.9	34.7	35.8
BV	32.5	42.8	53.0	61.8
DPS	16.5	13.1	16.0	18.0
Cash Per Share	50.4	50.5	37.9	36.5
Operating Ratios (%)				
EBITDA Margin	10.9	25.1	23.3	23.2
PBT / Total Operating income	12.6	27.2	26.2	26.1
PAT Margin	8.3	17.5	17.7	17.6
Inventory days	31	27	36	36
Debtor days	28	22	34	34
Creditor days	186	173	160	160
Return Ratios (%)				
Adj RoE	34.9	66.2	54.6	48.3
Adj RoCE	40.8	86.4	67.7	61.4
RoIC	26.5	37.2	36.1	0.0
Valuation Ratios (x)				
P/E	23.0	9.2	9.0	8.7
Adj. EV / EBITDA	10.5	4.4	5.4	5.1
EV / Net Sales	1.6	1.3	1.4	1.3
Market Cap / Sales	1.6	1.3	1.3	1.3
Price to Book Value	6.6	5.0	4.1	3.5
Solvency Ratios				
Debt/EBITDA	0.2	0.1	0.1	0.0
Debt / Equity	0.1	0.1	0.1	0.0
Current Ratio	0.8	0.8	0.8	0.8
Quick Ratio	0.7	0.8	0.7	0.7

Source: Company, ICICI Direct Research

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Sell: <-15%



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