

FSA realisation surprises positively....

Coal India (CIL) reported healthy operational performance for Q1FY20 wherein EBITDA and PAT came in higher than our estimate. CIL reported a sales volume of 153 million tonne (MT) (nearly flattish YoY but down 6% QoQ). FSA sales volume came in at 130 MT while FSA realisations during the quarter was at ₹ 1370/tonne (up 4.4% YoY, higher than our estimate of ₹ 1360/tonne). E-auction volumes came in at 19.1 MT while e-auction realisations were at ₹ 2155/tonne. The company reported a total operating income of ₹ 24939 crore up 3% YoY (our estimate of ₹ 25,587 crore). EBITDA came in at ₹ 6612 crore, up 15% YoY (our estimate of ₹ 6052 crore). EBITDA/tonne was at ₹ 431 /tonne (our estimate of ₹ 395/tonne). The ensuing PAT came in at ₹ 4629 crore, up 22%YoY (our estimate of ₹ 4395 crore).

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

For Q1FY19, FSA sales volumes came in at 130.3 MT (flattish YoY, down 8.5% QoQ). FSA realisation during the quarter was at ₹ 1370/tonne (higher by 4.4% YoY). E-auction volumes were at 19.1 MT, marginally down 2% YoY. E-auction realisations were at ₹ 2155/tonne as compared to ₹ 2399/tonne in Q1FY19. During the current fiscal, CIL's production and offtake volumes witnessed a muted trend. Production volume for first four months (April-July 2019) in FY20 was at 175.5 MT (down 1.1% YoY). Similarly, offtake volumes for April-July 2019 was at 200.1 MT (down -0.8% YoY). Going forward, we model CIL's off take 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 ~22.5%...

For Q1FY20, CIL reported a consolidated EBITDA margin of 26.5%. EBITDA margin was supported by an increase in FSA realisations. However e-auction realisations for Q1FY20 was at ₹ 2155/tonne (down 10.2% YoY, 21.8% QoQ) e-auction volume also remain muted (19.1 MT in Q1FY20 compared as to 19.4 MT in Q1FY19). Going forward, we expect consolidated EBITDA margin to moderate and hover around 22.5% levels over the next couple of years.

Valuation & Outlook

Coal India reported a healthy performance for Q1FY120 on the back of better than expected FSA realisations and stable employee costs. Going forward, we expect CIL's off take volume to grow at a CAGR of 3.4% in FY19-21E while EBITDA margin to remain steady at ~22.5%. Going forward, we value the stock at 5x FY21E EV/EBITDA (downward revised from 5.5x earlier on the back of flattish trend witnessed in production and off take volume) and arrive at a target price of ₹ 225. We maintain our **HOLD** recommendation.



Particulars	
Particular	Amount
Market Capitalization	₹ 123255 crore
Total Debt (FY19)	₹ 2203 crore
Cash and Investments (FY19)	₹ 31124 crore
EV	₹ 94334 crore
Equity capital	₹6162.7 crore
Face value	₹10

Key Highlights

- For Q1FY20, FSA sales volume came in at 130.3 MT (flattish YoY).
- FSA realisation during the quarter was at ₹1370/tonne (compared to ₹1313/tonne during Q1FY19), reflecting a growth of 4.4% YoY.
- Maintain HOLD rating

Research Analyst

Dewang Sanghavi
dewang.sanghavi@icicisecurities.com

Key Financial Summary

(₹ Crore)	FY17	FY18	FY19	FY20E	FY21E
Total Operating Income	78,221	85,244	99,547	99,742	103,626
EBITDA	12,240	9,288	24,977	22,492	23,286
EBITDA Margin (%)	15.6	10.9	25.1	22.6	22.5
PAT	14,434	7,038	17,463	17,171	17,735
EPS (₹)	23.3	11.3	28.3	27.9	28.8
EV/EBITDA (x)	5.5	10.2	3.8	4.5	4.2
RoCE (%)	27.8	40.8	86.4	64.7	56.6
RoE (%)	36.5	34.9	66.2	52.5	44.7

Source: Company, ICICI Direct Research

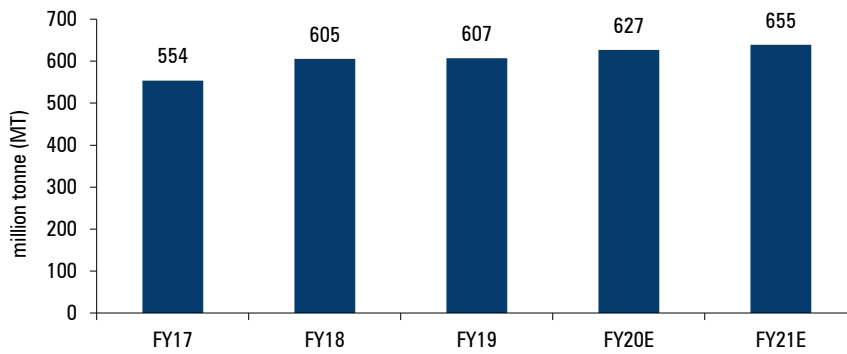
Exhibit 1: Variance Analysis

	Q1FY20	Q1FY20E	Q1FY19	YoY (%)	Q4FY19	QoQ (%)	Comments
Total Operating Income	24,939.0	25,587.2	24,260.9	2.8	28,546.3	-12.6	Topline came in broadly in line with our estimates
Other Income	1,150.2	1,657.0	1,210.0	-4.9	1,819.6	-36.8	
Employee Expenses	9,895.7	9,831.0	9,598.2	3.1	10,700.8	-7.5	
Raw Material Expenses	2,195.0		2,737.4	-19.8	520.8	321.5	
Power & Fuel	589.7	690.0	594.0	-0.7	604.6	-2.5	
Contractual Expenses	3,324.8	2,989.0	3,176.0	4.7	3,838.6	-13.4	
Overburden Removal adj	899.0	613.0	883.5	1.8	2,207.7	-59.3	
Other Expenses	1,422.4	1,533.0	1,593.3	-10.7	2,461.7	-42.2	
EBITDA	6,612.4	6,051.6	5,732.5	15.4	8,212.2	-19.5	EBITDA came in higher than our estimate
EBITDA Margin (%)	26.5	23.7	23.6	290 bps	28.8	(230) bps	EBITDA margin came in higher than our estimates
Depreciation	734.3	1,049.0	745.2	-1.5	1,037.2	-29.2	
Interest	16.6	100.1	110.3	-85.0	101.9	-83.7	
Exceptional Item	0.8	-	-	NA	-	NA	
PBT	7,011.0	6,560.0	6,086.9	15.2	8,892.7	-21.2	
Total Tax	2,381.1	2,165.0	2,302.5	3.4	2,865.9	-16.9	
PAT	4,629.9	4,395.2	3,784.3	22.3	6,026.8	-23.2	PAT came in higher than our estimates
Key Metrics							
Coal Sales (million tonne)	153	153	154	0.0	163	-6.1	

Source: Company, ICICI Direct Research

Financial story in charts

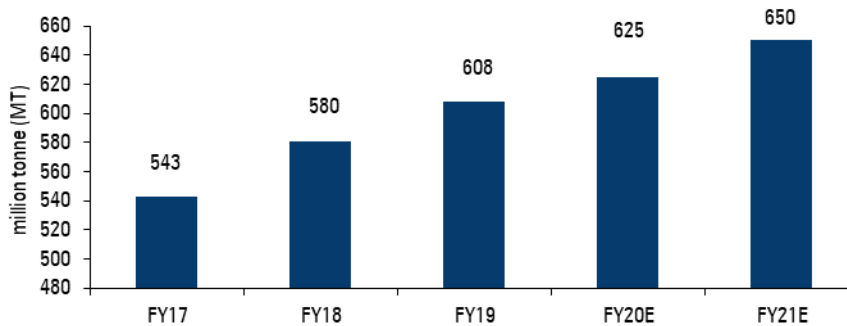
Exhibit 2: Trend in production



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

Source: Company, ICICI Direct Research

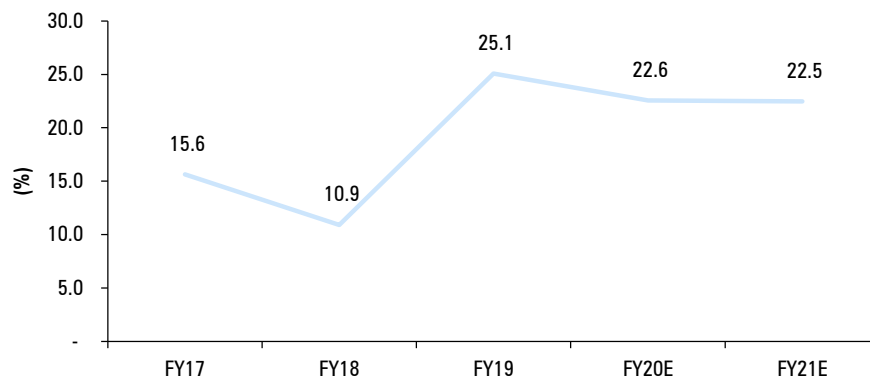
Exhibit 3: Trend in offtake



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

Source: Company, ICICI Direct Research

Exhibit 4: Trend in reported consolidated EBITDA margin (in %)



Over the next couple of years, we expect EBITDA margin to hover at ~22.5%

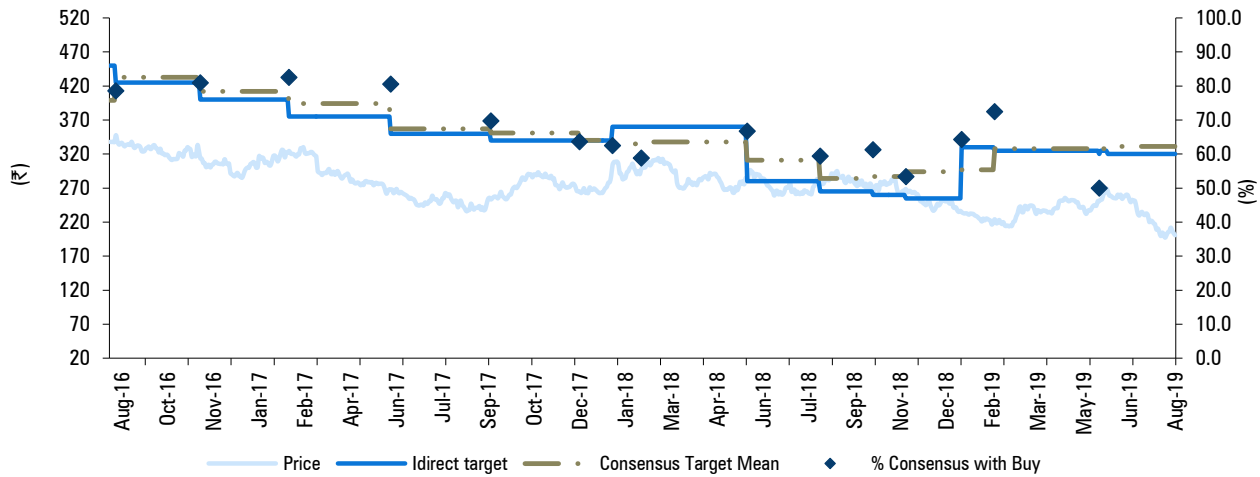
Source: Company, ICICI Direct Research

Exhibit 5: Valuation

	Op. Inc.	Growth	EPS	Growth	PE	EV/EBITDA	RoNW	RoCE
	(₹ cr)	(%)	(₹)	(%)	(x)	(x)	(%)	(%)
FY17	78,221	0.3	23.3	2.9	8.6	5.5	36.5	27.8
FY18	85,244	9.0	11.3	-51.2	17.6	10.2	34.9	40.8
FY19	99,547	16.8	28.3	149.9	7.1	3.8	66.2	86.4
FY20E	99,742	0.2	27.9	-1.7	7.2	4.5	52.5	64.7
FY21E	103,626	3.9	28.8	3.3	6.9	4.2	44.7	56.6

Source: Company, ICICI Direct Research

Exhibit 6: Recommendation History vs. Consensus



Source: Bloomberg, Company, Reuters

Exhibit 7: Top 10 Shareholders

Rank	Investor Name	Latest Filing Date	% O/S	Position (M)	Change (M)
1	Government of India	30-06-2019	70.96	4373.0	0.0
2	Life Insurance Corporation of India	30-06-2019	10.94	674.0	0.0
3	HDFC Asset Management Co., Ltd.	30-06-2019	1.56	96.4	-0.1
4	Reliance Nippon Life Asset Management Limited	30-06-2019	1.50	92.3	-0.8
5	ICICI Prudential Asset Management Co. Ltd.	31-03-2019	1.13	69.7	-5.2
6	The Vanguard Group, Inc.	30-06-2019	0.85	52.6	0.0
7	Capital World Investors	30-06-2019	0.74	45.8	0.0
8	BlackRock Institutional Trust Company, N.A.	30-06-2019	0.66	40.6	0.0
9	Goldman Sachs Asset Management (India) Private Ltd.	31-03-2018	0.48	29.4	0.1
10	SBI Funds Management Pvt. Ltd.	30-06-2019	0.45	27.6	-4.4

Source: Reuters, ICICI Direct Research

Exhibit 8: Recent Activity

Buys			Sells		
Investor Name	Value (M)	Shares (M)	Investor Name	Value (M)	Shares (M)
Goldman Sachs Asset Management International	9.5	2.6	ICICI Prudential Asset Management Co. Ltd.	-17.8	-5.2
Invesco Asset Management (India) Private Limited	9.0	2.5	APG Asset Management N.V.	-16.0	-4.7
Voya Investment Management LLC	5.8	1.7	SBI Funds Management Pvt. Ltd.	-16.4	-4.4
Kotak Mahindra Asset Management Company Ltd.	5.7	1.6	Mirae Asset Global Investments (India) Pvt. Ltd.	-9.7	-2.6
Caisse de Depot et Placement du Quebec	4.8	1.4	Lazard Asset Management, L.L.C.	-6.7	-1.8

Source: Reuters, ICICI Direct Research

Exhibit 9: Shareholding Pattern

(in %)	Dec-18	Mar-19	Jun-19
Promoter	72.91	70.96	70.96
Others	27.09	29.04	29.04
Total	100	100	100

Source: Company, ICICI Direct Research

Financial summary

Exhibit 10: Profit and loss statement				
	₹ crore			
(Year-end March)	FY18	FY19	FY20E	FY21E
Net Sales	81081.8	92896.1	97093.4	100977.1
Other Operating Income	4,162.4	6,650.8	2,649.1	2,649.1
Total Operating Income	85244.2	99546.9	99742.5	103626.2
Growth (%)	9.0	16.8	0.2	3.9
Total Operating Expenditure	75956.0	74569.8	77250.0	80340.0
EBITDA	9288.2	24977.2	22492.5	23286.2
Growth (%)	-24.1	168.9	-9.9	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	25379.3	26268.8
Total Tax	3732.3	9662.5	8208.6	8534.1
PAT	7038.0	17463.0	17170.7	17734.7
Growth (%)	-51.2	148.1	-1.7	3.3
Adj EPS (₹)	11.3	28.3	27.9	28.8

Source: Company, ICICI Direct Research

Exhibit 11: Cash flow statement				
	₹ crore			
(Year-end March)	FY18	FY19	FY20E	FY21E
Profit after Tax	7038.0	17463.0	17170.7	17734.7
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	-9113.0	-3687.8
Inc/(dec) in CL and Prov.	15200.2	256.8	962.1	4202.5
CF from operating activities	22710.0	20136.8	12762.7	22029.1
(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	-10815.5	-10815.5
Others	-14406.5	-1814.3	0.0	0.0
CF from financing activities	-28280.3	-10818.8	-11471.8	-11420.2
Net Cash flow	-14953.7	-156.2	-8033.1	608.9
Opening Cash	46233.7	31280.4	31124.2	23091.0
Closing Cash	31280.4	31124.2	23091.0	23699.7

Source: Company, ICICI Direct Research

Exhibit 12: 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	26,574.4	33,493.6
Total Shareholders funds	20178.7	26381.9	32737.1	39656.3
Total Debt	1530.9	2202.7	1702.7	1202.7
Minority Interest	362.5	406.8	456.8	506.8
Total Liabilities	22072	28992	34897	41366
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	9576.3	9959.4
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	23091.0	23699.7
Total Current Assets	82536.6	83689.3	84769.1	89065.7
Current Liabilities	41340.9	44099.4	42561.5	44263.9
Provisions	62057.7	59556.0	62056.0	64556.0
Current Liabilities & Prov	103398.5	103655.4	104617.5	108819.9
Net Current Assets	-20862.0	-19966.1	-19848.4	-19754.3
Others	3383.7	3514.4	4514.4	5514.4
Application of Funds	22072	28992	34897	41366

Source: Company, ICICI Direct Research

Exhibit 13: Key ratios				
	₹ crore			
(Year-end March)	FY18	FY19	FY20E	FY21E
Per share data (₹)				
Adj EPS	11.3	28.3	27.9	28.8
Cash EPS	16.3	33.9	33.6	34.7
BV	32.5	42.8	53.1	64.3
DPS	16.5	13.1	15.0	15.0
Cash Per Share	50.4	50.5	37.5	38.5
Operating Ratios (%)				
EBITDA Margin	10.9	25.1	22.6	22.5
PBT / Total Operating income	12.6	27.2	25.4	25.3
PAT Margin	8.3	17.5	17.2	17.1
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	52.5	44.7
Adj RoCE	40.8	86.4	64.7	56.6
RoIC	26.5	37.2	30.5	0.0
Valuation Ratios (x)				
P/E	17.6	7.1	7.2	6.9
EV / EBITDA	10.2	3.8	4.5	4.2
EV / Net Sales	1.1	0.9	1.0	1.0
Market Cap / Sales	1.6	1.3	1.3	1.3
Price to Book Value	6.6	5.0	4.0	3.3
Solvency Ratios				
Debt/EBITDA	0.2	0.1	0.1	0.1
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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Pankaj Pandey

Head – Research

pankaj.pandey@icicisecurities.com

**ICICI Direct Research Desk,
ICICI Securities Limited,
1st Floor, Akruiti Trade Centre,
Road No 7, MIDC,
Andheri (East)
Mumbai – 400 093
research@icicidirect.com**

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