

Operationally in line performance....

Coal India (CIL) reported a steady set of operational numbers for Q3FY20 wherein topline & EBITDA came in broadly in line with our estimate. However, PAT was lower than our estimate. CIL reported sales volumes of 142 million tonne (MT) (down 8% YoY) in line with our estimate of 142 MT. FSA sales volume was at 127.7 MT (135.8 MT in Q3FY19) while FSA realisation during the quarter was at ₹ 1411/tonne (₹ 1334/tonne in Q3FY19). E-auction volumes were at 9.8 MT (14.7 MT in Q3FY19) while e-auction realisations were at ₹ 2623/tonne (₹ 2847/tonne in Q3FY19). Total operating income was at ₹ 23190 crore, down 7% YoY (broadly in line with our estimate of ₹ 23480 crore). EBITDA was at ₹ 4968 crore, down 27% YoY (largely in line with our estimate of ₹ 5100 crore). EBITDA/tonne was at ₹ 351/tonne (our estimate of ₹ 360/tonne). Ensuing PAT came in at ₹ 3922 crore, down 14%YoY (below our estimate of ₹ 4340.0 crore).

Maintain sales volume estimate...

During the YTD current fiscal, CIL's production and offtake volumes witnessed a muted trend. One of the reasons for the same is extended monsoons. Production volume for the first 10 months (April-January 2020) of FY20 were at 451.5 million tonnes (MT) (down 3.9% YoY). Similarly, offtake volumes for April-January 2020 were at 473.3 MT (down 4.8% YoY). Going forward, we maintain our offtake volume assumption of 600 MT for FY20E and 625 MT for FY21E. CIL's offtake volume for FY19 was at 608 MT.

EBITDA margins to hover around ~21-22%...

After reporting an EBITDA margin of 17.7% in Q2FY20 (generally a seasonally weak quarter for CIL on account of monsoon season), CIL's consolidated margins firmed up in Q3FY20. For Q3FY20, the company reported a consolidated EBITDA margin of 21.4%. Going forward, we model consolidated EBITDA margin of 21.8% for FY20E and 20.6% for FY21E.

Valuation & Outlook

CIL reported a steady operational performance for Q3FY20. Going forward, we model sales volume of 600 MT for FY20E and 625 MT for FY21E. Furthermore, we expect EBITDA margins to remain steady at ~21-22% over the next couple of years. We value the stock at 5x FY21E adjusted EV/EBITDA and arrive at a target price of ₹ 200. We maintain our **HOLD** recommendation.



Particulars	
Particular	Amount
Market Capitalization	₹ 110929 crore
Total Debt (FY19)	₹ 2203 crore
Cash and Investments (FY19)	₹ 31124 crore
EV	₹ 82008 crore
Equity capital	₹6162.7 crore
Face value	₹10

Key Highlights

- FSA realisation during the quarter at ₹ 1411/tonne, up 7.8% YoY
- E-auction realisations stood at ₹ 2623/tonne, up 1.2% YoY
- Maintain HOLD rating on stock with target price of ₹ 200

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	96,719	100,632
EBITDA	12,240	9,288	24,977	21,059	20,699
EBITDA Margin (%)	15.6	10.9	25.1	21.8	20.6
PAT	14,434	7,038	17,463	17,908	17,843
EPS (₹)	23.3	11.3	28.3	29.1	29.0
EV/EBITDA (x)	4.6	8.9	3.3	4.2	4.4
RoCE (%)	27.8	40.8	86.4	58.7	49.1
RoE (%)	36.5	34.9	66.2	53.5	44.1

Source: Company, ICICI Direct Research

Exhibit 1: Variance Analysis

	Q3FY20	Q3FY20E	Q3FY19	YoY (%)	Q2FY20	QoQ (%)	Comments
Total Operating Income	23,190.0	23,480.0	25,045.8	-7.4	20,382.6	13.8	Topline broadly in line with our estimate
Other Income	1,412.0	1,500.0	1,163.3	21.4	1,630.3	-13.4	
Total Expenditure	18,222.0	18,380.1	18,258.0	-0.2	16,771.5	8.6	
EBITDA	4,968.0	5,099.9	6,787.8	-26.8	3,611.2	37.6	Largely in line with our estimate
EBITDA Margin (%)	21.4	21.7	27.1	10 bps	17.7	(880) bps	In line with estimates
Depreciation	894.0	800.0	861.1	3.8	793.0	12.7	
Interest	151.3	-	62.0	144.0	170.0	-11.0	
Exceptional Item	1.0	-	1.1	-6.5	(1.4)	-174.1	
PBT	5,336.0	5,799.9	7,029.1	-24.1	4,277.2	24.8	
Total Tax	1,414.0	1,459.9	2,462.3	-42.6	754.0	87.5	
PAT	3,922.0	4,340.0	4,566.8	-14.1	3,523.2	11.3	Below our estimates
Key Metrics							
Coal Sales (million tonne)	142.0	141.5	154.0	-7.8	122.4	16.0	Sales volumes in line with our estimate

Source: Company, ICICI Direct Research

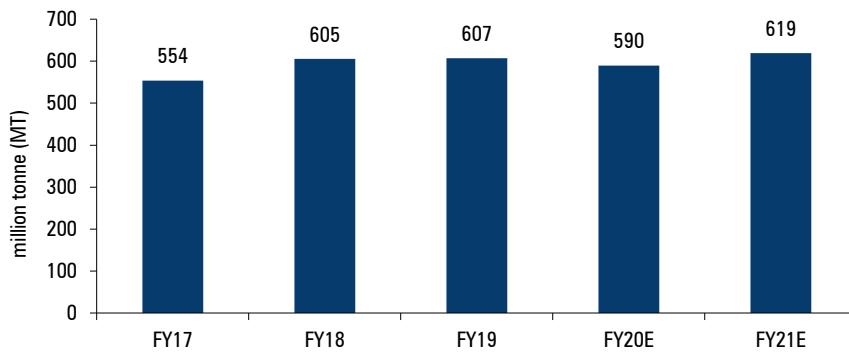
Exhibit 2: Change in estimate

₹ Crore)	FY20E			FY21E			Comments
	New	Old	%Change	New	Old	%Change	
Total Op. Income	96,719	96,581	0.1	100,632	100,489	0.1	Broadly maintain estimates for FY20E, downward revised EBITDA margin estimates for FY21E.
EBITDA	21,059	20,921	0.7	20,699	22,556	-8.2	
EBITDA Margin (%)	21.8	21.7	11 bps	20.6	22.4	-188 bps	
PAT	17,908	17,943	-0.2	17,843.1	19,213	-7.1	
EPS (₹)	29.1	29.1	-0.2	29.0	31.2	-7.1	
Overall Sales volume	600	600	0.0	625	625	0.0	

Source: Company, ICICI Direct Research

Financial story in charts

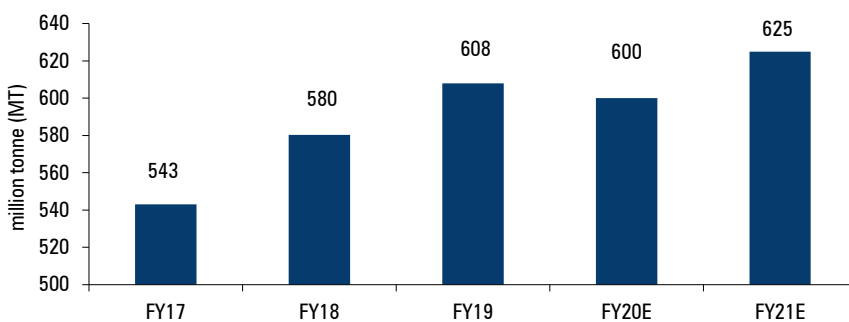
Exhibit 3: Trend in production



Model coal production of 590 MT for FY20E and 619 MT for FY21E

Source: Company, ICICI Direct Research

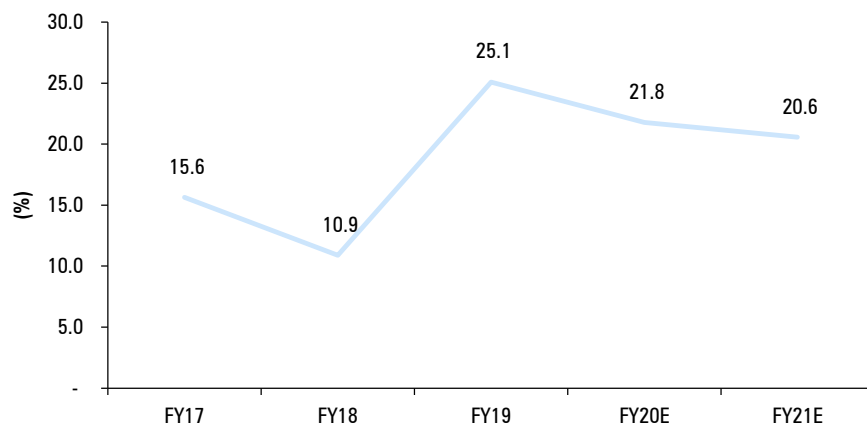
Exhibit 4: Trend in offtake



Model coal offtake of 600 MT for FY20E and 625 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 ~21-22%

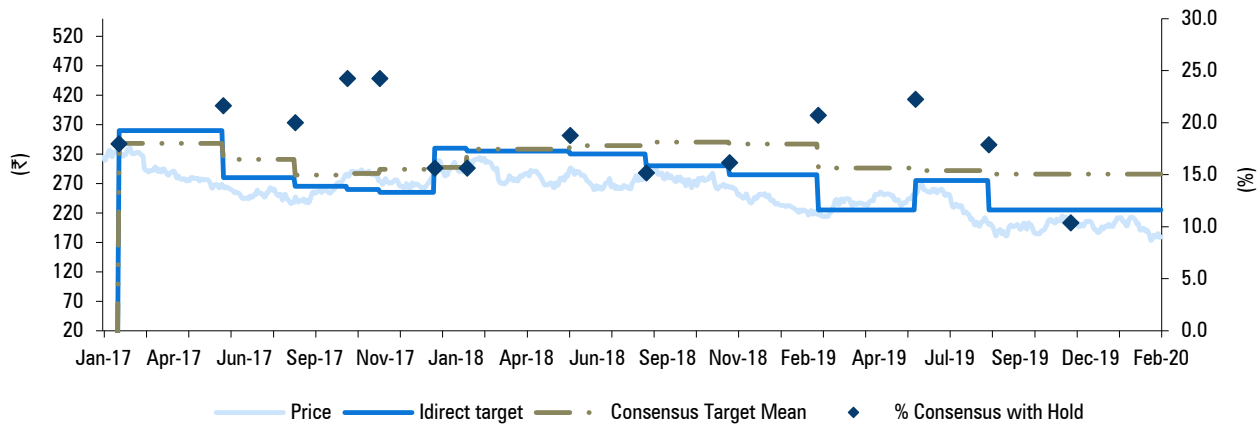
Source: Company, ICICI Direct Research

Exhibit 6: Valuation

	Op. Inc.	Growth	EPS	Growth	PE	EV/EBITDA	RoNW	RoCE
	(₹ cr)	(%)	(₹)	(%)	(x)	(x)	(%)	(%)
FY17	78,221	0.3	23.3	2.9	7.7	4.6	36.5	27.8
FY18	85,244	9.0	11.3	-51.2	15.9	8.9	34.9	40.8
FY19	99,547	16.8	28.3	149.9	6.4	3.3	66.2	86.4
FY20E	96,719	-2.8	29.1	2.5	6.2	4.2	53.5	58.7
FY21E	100,632	4.0	29.0	-0.4	6.2	4.4	44.1	49.1

Source: Company, ICICI Direct Research

Exhibit 7: Recommendation History vs. Consensus Recommendation History



Source: Bloomberg, Company, ICICI Direct Research

Exhibit 8: Top 10 Shareholders

Rank	Name	Latest Filing	% O/S	Position (m)	Change (m)
1	GOVERNMENT OF INDIA	03-02-2020	66.1	4075.6	-179.6
2	HDFC ASSET MANAGEMEN	31-12-2019	2.5	155.4	59.2
3	RELIANCE CAPITAL TRU	31-01-2020	2.1	129.7	-2.6
4	VANGUARD GROUP	31-12-2019	0.8	51.8	-0.4
5	BLACKROCK	10-02-2020	0.8	47.5	-3.7
6	ADITYA BIRLA SUN LIF	31-01-2020	0.5	31.3	-0.3
7	SBI FUNDS MANAGEMENT	31-01-2020	0.5	30.8	2.0
8	LAZARD LTD	31-12-2019	0.4	27.0	2.4
9	JPMORGAN CHASE & CO	11-02-2020	0.4	26.3	-0.5
10	ICICI PRUDENTIAL ASS	31-01-2020	0.4	24.5	-2.7

Source: Bloomberg, ICICI Direct Research

Exhibit 9: Shareholding Pattern

(in %)	Jun-19	Sep-19	Dec-19
Promoter	71.0	69.1	69.1
Others	29.0	31.0	31.0
Total	100.0	100.0	100.0

Source: Company, ICICI Direct Research

Financial summary

Exhibit 10: Profit and loss statement				
	₹ crore			
(Year-end March)	FY18	FY19	FY20E	FY21E
Total Operating Income	85244.2	99546.9	96718.6	100631.9
Growth (%)	9.0	16.8	-2.8	4.0
Total Operating Expenditure	75956.0	74569.8	75660.0	79932.5
EBITDA	9288.2	24977.2	21058.6	20699.4
Growth (%)	-24.1	168.9	-15.7	-1.7
Depreciation	3062.7	3450.4	3467.6	3554.3
Interest	430.1	275.0	412.6	206.3
Other Income	4974.9	5873.7	6629.8	6762.3
Exceptional Item	-	-	-	-
PBT	10770.3	27125.5	23808.2	23701.1
Total Tax	3732.3	9662.5	5900.0	5858.1
PAT	7038.0	17463.0	17908.2	17843.1
Growth (%)	-51.2	148.1	2.5	-0.4
Adj EPS (₹)	11.3	28.3	29.1	29.0

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	17908.2	17843.1
Add: Depreciation	3062.7	3450.4	3467.6	3554.3
Add: Interest	430.1	275.0	412.6	206.3
(Inc)/dec in Current Assets	-3020.9	-1308.5	-8658.0	-5757.1
Inc/(dec) in CL and Prov.	15200.2	256.8	-363.4	1531.0
CF from operating activities	22710.0	20136.8	12766.9	17377.5
(Inc)/dec in Investments	-220.8	-1467.3	0.0	0.0
(Inc)/dec in Fixed Assets	-8511.7	-7876.2	-7255.0	-8000.0
Others	-650.9	-130.7	-1000.0	-1000.0
CF from investing activities	-9383.4	-9474.2	-8255.0	-9000.0
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	-412.6	-206.3
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	-11678.1	-11471.8
Net Cash flow	-14953.7	-156.2	-7166.2	-3094.3
Opening Cash	46233.7	31280.4	31124.2	23958.0
Closing Cash	31280	31124	23958	20864

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	27,311.8	34,339.4
Total Shareholders funds	20178.7	26381.9	33474.6	40502.1
Total Debt	1530.9	2202.7	1702.7	1202.7
Minority Interest	362.5	406.8	456.8	506.8
Total Liabilities	22072	28992	35634	42212
Assets				
Gross Block	65518.0	74070.5	80070.5	86070.5
Less: Acc Depreciation	37943.9	41420.8	45633.4	49187.7
Net Block	27574.1	32649.7	34437.1	36882.8
CWIP	10272.7	9622.9	11622.9	13622.9
Investments	1703.6	3171.0	3171.0	3171.0
Inventory	6443.9	5583.9	7462.4	8759.7
Debtors	6257.8	5498.6	9278.1	10737.8
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	23958.0	20863.5
Total Current Assets	82536.6	83689.3	85181.0	87843.7
Current Liabilities	41340.9	44099.4	41235.9	40266.9
Provisions	62057.7	59556.0	62056.0	64556.0
Current Liabilities & Prov	103398.5	103655.4	103291.9	104822.9
Net Current Assets	-20862.0	-19966.1	-18110.9	-16979.2
Others	3383.7	3514.4	4514.4	5514.4
Application of Funds	22072	28992	35634	42212

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	29.1	29.0
Cash EPS	16.3	33.9	34.7	34.7
BV	32.5	42.8	54.3	65.7
DPS	16.5	13.1	15.0	15.0
Cash Per Share	50.4	50.5	38.9	33.9
Operating Ratios (%)				
EBITDA Margin	10.9	25.1	21.8	20.6
PBT / Total Operating income	12.6	27.2	24.6	23.6
PAT Margin	8.3	17.5	18.5	17.7
Inventory days	31	27	36	40
Debtor days	28	22	34	35
Creditor days	186	173	160	150
Return Ratios (%)				
Adj RoE	34.9	66.2	53.5	44.1
Adj RoCE	40.8	86.4	58.7	49.1
Valuation Ratios (x)				
P/E	15.9	6.4	6.2	6.2
EV / EBITDA	8.9	3.3	4.2	4.4
EV / Net Sales	1.0	0.8	0.9	0.9
Market Cap / Sales	1.6	1.3	1.4	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	0.8	0.8

Source: Company, ICICI Direct Research

Exhibit 14: ICICI Direct coverage universe (Metals and Mining)

	CMP	TP	Rating	M Cap	EPS (₹)			P/E (x)			EV/EBITDA (x)			ROCE(%)			ROE(%)		
	(₹)	(₹)		(₹ Cr)	FY19	FY20E	FY21E	FY19	FY20E	FY21E	FY19	FY20E	FY21E	FY19	FY20E	FY21E	FY19	FY20E	FY21E
Coal India	179	200	Hold	111081	28.3	29.1	29.0	6.3	6.2	6.2	3.3	4.2	4.4	86.4	58.7	49.1	66.2	53.5	44.1
Hindalco	193	210	Hold	42959	24.7	20.4	25.3	7.8	9.4	7.6	5.2	5.8	5.0	10.3	8.6	9.6	9.6	7.2	8.3
Hind Zinc	191	245	Buy	80851	18.8	17.4	22.1	11.2	12.1	9.5	6.7	6.9	4.8	29.2	23.5	26.0	23.7	18.8	20.5
JSW Steel	292	265	Hold	70486	31.3	14.0	21.0	9.3	20.8	13.9	5.9	10.3	7.6	17.6	7.9	11.5	21.7	10.4	14.1
NMDC	112	120	Hold	34293	15.2	15.6	14.5	7.4	7.2	7.7	4.5	5.1	5.7	25.3	19.2	16.6	17.9	15.6	13.6
Vedanta	141	150	Hold	52195	18.1	21.4	26.0	7.8	6.6	5.4	4.0	3.6	3.0	11.9	13.1	15.0	10.8	11.8	13.1
Tata Steel	445	475	Hold	53627	78.6	33.2	66.2	6.0	14.3	7.2	5.1	9.0	5.7	13.4	5.4	10.3	13.0	5.9	10.1

Source: ICICI Direct Research, Company

RATING RATIONALE

ICICI Direct endeavors to provide objective opinions and recommendations. ICICI Direct assigns ratings to its stocks according to their notional target price vs. current market price and then categorizes them as Buy, Hold, Reduce and Sell. The performance horizon is two years unless specified and the notional target price is defined as the analysts' valuation for a stock

Buy: >15%

Hold: -5% to 15%;

Reduce: -15% to -5%;

Sell: <-15%



Pankaj Pandey

Head – Research

pankaj.pandey@icicisecurities.com

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

ANALYST CERTIFICATION

I/We, Dewang Sanghavi MBA (Finance) Research Analysts, authors and the names subscribed to this report, hereby certify that all of the views expressed in this research report accurately reflect our views about the subject issuer(s) or securities. We also certify that no part of our compensation was, is, or will be directly or indirectly related to the specific recommendation(s) or view(s) in this report. It is also confirmed that above mentioned Analysts of this report have not received any compensation from the companies mentioned in the report in the preceding twelve months and do not serve as an officer, director or employee of the companies mentioned in the report.

Terms & conditions and other disclosures:

ICICI Securities Limited (ICICI Securities) is a full-service, integrated investment banking and is, inter alia, engaged in the business of stock brokering and distribution of financial products. ICICI Securities Limited is a SEBI registered Research Analyst with SEBI Registration Number – INH000000990. ICICI Securities Limited SEBI Registration is INZ000183631 for stock broker. ICICI Securities is a subsidiary of ICICI Bank which is India's largest private sector bank and has its various subsidiaries engaged in businesses of housing finance, asset management, life insurance, general insurance, venture capital fund management, etc. ("associates"), the details in respect of which are available on www.icicibank.com

ICICI Securities is one of the leading merchant bankers/ underwriters of securities and participate in virtually all securities trading markets in India. We and our associates might have investment banking and other business relationship with a significant percentage of companies covered by our Investment Research Department. ICICI Securities generally prohibits its analysts, persons reporting to analysts and their relatives from maintaining a financial interest in the securities or derivatives of any companies that the analysts cover.

Recommendation in reports based on technical and derivative analysis centre on studying charts of a stock's price movement, outstanding positions, trading volume etc as opposed to focusing on a company's fundamentals and, as such, may not match with the recommendation in fundamental reports. Investors may visit icidirect.com to view the Fundamental and Technical Research Reports.

Our proprietary trading and investment businesses may make investment decisions that are inconsistent with the recommendations expressed herein.

ICICI Securities Limited has two independent equity research groups: Institutional Research and Retail Research. This report has been prepared by the Retail Research. The views and opinions expressed in this document may or may not match or may be contrary with the views, estimates, rating, target price of the Institutional Research.

The information and opinions in this report have been prepared by ICICI Securities and are subject to change without any notice. 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 of ICICI Securities. While we would endeavour to update the information herein on a reasonable basis, ICICI Securities is under no obligation to update or keep the information current. Also, there may be regulatory, compliance or other reasons that may prevent ICICI Securities from doing so. Non-rated securities indicate that rating on a particular security has been suspended temporarily and such suspension is in compliance with applicable regulations and/or ICICI Securities policies, in circumstances where ICICI Securities might be acting in an advisory capacity to this company, or in certain other circumstances.

This report is based on information obtained from public sources and sources believed to be reliable, but no independent verification has been made nor is its accuracy or completeness guaranteed. This report and information herein is solely for informational purpose and shall 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. Though disseminated to all the customers simultaneously, not all customers may receive this report at the same time. ICICI Securities will not treat recipients as customers by virtue of their receiving this report. 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. The recipient should independently evaluate the investment risks. The value and return on investment may vary because of changes in interest rates, foreign exchange rates or any other reason. ICICI Securities accepts no liabilities whatsoever for any loss or damage of any kind arising out of the use of this report. Past performance is not necessarily a guide to future performance. Investors are advised to see Risk Disclosure Document to understand the risks associated before investing in the securities markets. Actual results may differ materially from those set forth in projections. Forward-looking statements are not predictions and may be subject to change without notice.

ICICI Securities or its associates might have managed or co-managed public offering of securities for the subject company or might have been mandated by the subject company for any other assignment in the past twelve months.

ICICI Securities or its associates might have received any compensation from the companies mentioned in the report during the period preceding twelve months from the date of this report for services in respect of managing or co-managing public offerings, corporate finance, investment banking or merchant banking, brokerage services or other advisory service in a merger or specific transaction.

ICICI Securities encourages independence in research report preparation and strives to minimize conflict in preparation of research report. ICICI Securities or its associates or its analysts did not receive any compensation or other benefits from the companies mentioned in the report or third party in connection with preparation of the research report. Accordingly, neither ICICI Securities nor Research Analysts and their relatives have any material conflict of interest at the time of publication of this report.

Compensation of our Research Analysts is not based on any specific merchant banking, investment banking or brokerage service transactions.

ICICI Securities or its subsidiaries collectively or Research Analysts or their relatives do not own 1% or more of the equity securities of the Company mentioned in the report as of the last day of the month preceding the publication of the research report.

Since associates of ICICI Securities are engaged in various financial service businesses, they might have financial interests or beneficial ownership in various companies including the subject company/companies mentioned in this report.

ICICI Securities may have issued other reports that are inconsistent with and reach different conclusion from the information presented in this report.

Neither the Research Analysts nor ICICI Securities have been engaged in market making activity for the companies mentioned in the report.

We submit that no material disciplinary action has been taken on ICICI Securities by any Regulatory Authority impacting Equity Research Analysis activities.

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 ICICI Securities and affiliates 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.