

Coal India (COAL IN)

Rating: HOLD | CMP: Rs142 | TP: Rs155

June 29, 2020

Q4FY20 Result Update

☒ Change in Estimates | ☒ Target | ☒ Reco

Change in Estimates

	Current		Previous	
	FY21E	FY22E	FY21E	FY22E
Rating	HOLD		ACCUMULATE	
Target Price	155		195	
Sales (Rs. m)	8,65,072	9,79,301	8,89,729	10,13,477
% Chng.	(2.8)	(3.4)		
EBITDA (Rs. m)	1,79,824	2,28,146	1,95,336	2,49,616
% Chng.	(7.9)	(8.6)		
EPS (Rs.)	16.8	21.4	20.4	26.2
% Chng.	(17.5)	(18.2)		

Key Financials - Consolidated

Y/e Mar	FY20	FY21E	FY22E	FY22E
Sales (Rs. bn)	961	865	979	1,013
EBITDA (Rs.bn)	275	180	228	250
Margin (%)	28.6	20.8	23.3	24.6
PAT (Rs. bn)	167	104	132	161
EPS (Rs.)	27.1	16.8	21.4	26.2
Gr. (%)	(2.6)	(37.9)	27.2	28.2
DPS (Rs.)	12.1	9.0	15.1	18.5
Yield (%)	8.5	6.3	10.6	13.0
RoE (%)	57.0	30.5	35.0	40.1
RoCE (%)	54.9	23.9	32.3	36.4
EV/Sales (x)	0.7	0.7	0.6	0.4
EV/EBITDA (x)	2.4	3.2	2.5	1.7
PE (x)	5.2	8.4	6.6	5.4
P/BV (x)	2.7	2.4	2.2	2.1

Key Data

COAL.BO | COAL IN

52-W High / Low	Rs.262 / Rs.119	
Sensex / Nifty	35,171 / 10,383	
Market Cap	Rs.876bn / \$ 11,577m	
Shares Outstanding	6,163m	
3M Avg. Daily Value	Rs.3093.78m	

Shareholding Pattern (%)

Promoter's	66.13
Foreign	8.20
Domestic Institution	22.00
Public & Others	3.67
Promoter Pledge (Rs bn)	-

Stock Performance (%)

	1M	6M	12M
Absolute	6.1	(30.2)	(44.0)
Relative	(2.2)	(17.5)	(37.3)

Kamlesh Bagmar

kamleshbagmar@plindia.com | 91-22-66322237

Amit Khimesra

amitkhimesra@plindia.com | 91-22-66322244

Earnings in line, B/S deterioration and weak outlook drives downgrade

Quick Pointers:

- B/S continued to deteriorate with net cash down 28% YoY to Rs220bn
- Receivables further increased 25%QoQ to Rs180bn in Q1

Coal India (COAL) reported Q4FY20 EBITDA in line with our and consensus expectation. Balance sheet quality continued to deteriorate due to 162% YoY increase in receivable at Rs144bn, incremental advance tax payment of Rs47bn and 19% increase in inventory. Receivables are expected to further increase ~50% by Q2FY21e due to poor financial condition of State govts.

In spite of attractive valuations (EV/EBITDA at 3.5x FY21e), stock would continue to underperform due to frequent stake sale by Govt and pressure on profitability in E-auction (contributes>50% of EBITDA) in light of weak global prices and increased competition with opening up of sector for commercial mining. Given the weak outlook on global coal prices and steep rise in domestic availability (with limited opportunity in exports), we downgrade the stock to Hold with TP of Rs155 (earlier TP of Rs195).

- Higher E-auction volumes make up for lower FSA volumes:** Volumes were flat YoY at 164mnt (PL:164.5mnt). FSA volumes fell 2.3% YoY to 139mnt (PL:145mnt). E-auction volumes grew 26% YoY to 21mnt (PL:15.5mnt) due to higher availability. Washed coal volumes fell 1% YoY to 3.3mnt (PL:2.9mnt) due to weak demand from steel and power sector.
- Lower E-Auction realisation drag blended realisations:** FSA realisations fell 1% YoY (+2.5% QoQ) to Rs1,446 (PL:Rs1,450). E-auction realisations fell 24% YoY/20% QoQ to Rs2,105 (PL:Rs2,250). Hence, blended realisations fell 4.4% YoY (+2.6% QoQ) at Rs1,562 (PL:Rs1,556).
- EBITDA fell 18% YoY; PAT declined 23% YoY owing to higher tax rate:** Total cost on per ton basis increased 2% YoY owing to 15%/7% increase in overburden removal expense (OBR)/contractual expenses. Impacted by lower realisations and higher costs, EBITDA fell 18% YoY to Rs67.3bn (PL:Rs67.0bn). PAT came below our expectation at Rs46.3bn (PL:Rs54.6bn) due to higher tax rate at 38% (Q4FY19:32%) v/s PL:26%.
- Key concall highlights:** 1) Production/Offtake would fall 11%/22% YoY in Q1FY21e 2) Inventory at mines doubled YoY/38mnt to 79mnt 3) E-auction realisations would decline significantly due to lower reserve prices 4) Aggressively pushing volumes in E-auction (300mnt in Q1FY21) to replace imports and reduce inventory 5) Capex guidance of Rs110bn for FY21e (FY20:Rs57bn) 6) Debtors further increased 25% QoQ by June end to Rs180bn 7) Given the weak financial position of state discoms, management expects receivables to further increase to Rs220bn by Q2FY21

Exhibit 1: Q4FY20 Result Overview (Rs m)

Y/e March	Q4FY20	Q4FY19	YoY gr. (%)	Q3FY20	FY20	FY19	YoY gr. (%)
Net operating revenue	2,55,974	2,67,043	(4.1)	2,15,664	8,93,733	9,28,961	(3.8)
Other operating income	19,708	18,420	7.0	16,241	67,070	66,508	0.8
Revenue (including other operating income)	2,75,682	2,85,463	(3.4)	2,31,905	9,60,803	9,95,469	(3.5)
(Accretion)/Decretion in Stocks	(24,954)	(16,829)	48.3	(3,682)	(10,426)	8,562	(221.8)
Consumption of stores and spares	22,462	22,036	1.9	18,234	71,263	73,314	(2.8)
Employees' Remuneration & Benefits	1,05,765	1,07,008	(1.2)	98,393	3,93,841	3,87,701	1.6
Power & Fuel	6,196	6,046	2.5	6,479	24,873	24,431	1.8
CSR expenses	4,307	2,876	49.7	474	5,878	4,165	41.1
Repairs	5,526	5,482	0.8	3,075	14,109	14,464	(2.5)
Contractual Expenses	45,136	38,386	17.6	36,764	1,39,115	1,33,780	4.0
Miscellaneous expenses	14,893	15,171	(1.8)	10,335	46,054	47,411	(2.9)
Overburden Removal Adjustment	27,903	22,077	26.4	12,144	55,419	50,712	9.3
Provision and write off	1,159	1,088	-	5	1,468	1,157	26.9
Total Cost of Sales	2,08,393	2,03,340	2.5	1,82,221	7,41,594	7,45,698	(0.6)
EBITDA	67,289	82,122	(18.1)	49,684	2,19,209	2,49,771	(12.2)
<i>as a % of Sales</i>	26.3	30.8		23.0	24.5	26.9	
Depreciation	10,294	10,372	(0.7)	8,942	34,508	34,504	0.0
EBIT	56,995	71,751	(20.6)	40,743	1,84,701	2,15,268	(14.2)
Interest	1,651	1,019	62.0	1,513	5,029	2,750	82.9
PBT (before other income)	55,344	70,731	(21.8)	39,230	1,79,672	2,12,517	(15.5)
Other Income	19,132	18,196	5.1	14,117	61,054	58,737	3.9
PBT before extraordinary	74,476	88,927	(16.3)	53,347	2,40,726	2,71,255	(11.3)
Exceptional items	-	-		-	-	-	
PBT after extraordinary	74,476	88,927	(16.3)	53,347	2,40,726	2,71,255	(11.3)
Provision for Taxation	28,216	28,659	(1.5)	14,140	73,710	96,625	(23.7)
Reported PAT	46,259	60,268	(23.2)	39,208	1,67,016	1,74,630	(4.4)
Adjusted PAT	46,259	60,268	(23.2)	39,208	1,67,016	1,74,630	(4.4)

Source: Company, PL

Exhibit 2: Operating Metrics

Y/e March (Rs mn)	Q4FY20	Q4FY19	YoY gr. (%)	Q3FY20	FY20	FY19	YoY gr. (%)
Coal production (m tonnes)	213.7	194.5	9.9	147.5	602.1	606.9	(0.8)
Coal sales volume (m tonnes)	163.9	163.5	0.2	141.6	581.4	608.1	(4.4)
Net realisation (Excl. Other Operating Income)	1,562	1,633	(4.4)	1,523	1,537	1,528	0.6
Realisation (Inc. Other Operating Income)	1,682	1,746	(3.6)	1,638	1,653	1,637	1.0
Total cost/tonne	1,272	1,244	2.3	1,287	1,276	1,226	4.0
Cash cost/t (excluding OBR and Provisions)	1,094	1,102	(0.7)	1,201	1,178	1,141	3.2
EBITDA/tonne	411	502	(18.2)	351	377	411	(8.2)
Adjusted EBITDA/tonne	588	644	(8.7)	437	475	496	(4.3)
Sales volume mix (m tonnes)							
FSA	139.2	142.4	(2.3)	127.7	501.0	525.5	(4.6)
E-auction	21.0	16.7	25.8	9.8	65.4	68.5	(4.5)
Washed coal	3.3	3.3	(0.9)	2.3	11.0	11.2	(2.5)
Realisation per tonne (Rs)							
FSA	1,446	1,460	(1.0)	1,411	1,416	1,357	4.3
E-auction	2,105	2,754	(23.6)	2,623	2,177	2,632	(17.3)
Washed coal	2,548	2,879	(11.5)	2,667	2,831	2,713	4.3

Source: Company, PL

Financials

Income Statement (Rs m)

Y/e Mar	FY20	FY21E	FY22E	FY22E
Net Revenues	9,60,803	8,65,072	9,79,301	10,13,477
YoY gr. (%)	(3.5)	(10.0)	13.2	13.9
Cost of Goods Sold	60,836	66,293	74,343	78,045
Gross Profit	8,99,967	7,98,779	9,04,957	9,35,433
Margin (%)	93.7	92.3	92.4	92.3
Employee Cost	3,93,841	3,97,938	4,21,336	4,28,238
Other Expenses	2,06,625	1,97,651	2,29,273	2,31,290
EBITDA	2,74,628	1,79,824	2,28,146	2,49,616
YoY gr. (%)	(8.6)	(34.5)	26.9	27.8
Margin (%)	28.6	20.8	23.3	24.6
Depreciation and Amortization	89,927	88,244	99,169	95,131
EBIT	1,84,701	91,580	1,28,977	1,54,486
Margin (%)	19.2	10.6	13.2	15.2
Net Interest	5,029	5,000	5,000	5,000
Other Income	61,054	55,577	56,783	71,451
Profit Before Tax	2,40,726	1,42,157	1,80,760	2,20,937
Margin (%)	25.1	16.4	18.5	21.8
Total Tax	73,710	63,382	48,805	59,653
Effective tax rate (%)	30.6	44.6	27.0	27.0
Profit after tax	1,67,016	78,775	1,31,955	1,61,284
Minority interest	-	-	-	-
Share Profit from Associate	-	-	-	-
Adjusted PAT	1,67,016	1,03,775	1,31,955	1,61,284
YoY gr. (%)	(2.6)	(37.9)	27.2	28.2
Margin (%)	17.4	12.0	13.5	15.9
Extra Ord. Income / (Exp)	-	(25,000)	-	-
Reported PAT	1,67,016	78,775	1,31,955	1,61,284
YoY gr. (%)	(4.0)	(52.8)	67.5	60.0
Margin (%)	17.4	9.1	13.5	15.9
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	1,67,016	78,775	1,31,955	1,61,284
Equity Shares O/s (m)	6,163	6,163	6,163	6,163
EPS (Rs)	27.1	16.8	21.4	26.2

Source: Company Data, PL Research

Balance Sheet Abstract (Rs m)

Y/e Mar	FY20	FY21E	FY22E	FY22E
Non-Current Assets				
Gross Block	5,18,490	5,68,953	6,59,191	6,75,867
Tangibles	5,18,490	5,68,953	6,59,191	6,75,867
Intangibles	-	-	-	-
Acc: Dep / Amortization	1,50,654	1,88,355	2,31,954	2,35,597
Tangibles	1,50,654	1,88,355	2,31,954	2,35,597
Intangibles	-	-	-	-
Net fixed assets	3,67,836	3,80,598	4,27,237	4,40,269
Tangibles	3,67,836	3,80,598	4,27,237	4,40,269
Intangibles	-	-	-	-
Capital Work In Progress	83,283	1,10,694	1,20,720	1,22,573
Goodwill	-	-	-	-
Non-Current Investments	1,62,941	1,69,220	1,79,220	1,73,924
Net Deferred tax assets	33,110	33,110	33,110	42,692
Other Non-Current Assets	17,924	21,650	22,650	22,650
Current Assets				
Investments	997	17,500	17,500	17,500
Inventories	66,189	59,773	67,580	61,683
Trade receivables	1,44,082	98,731	1,11,846	82,517
Cash & Bank Balance	2,84,468	2,99,689	3,19,879	4,65,061
Other Current Assets	2,97,302	3,05,160	3,12,916	2,13,528
Total Assets	15,00,215	15,38,206	16,54,740	16,82,564
Equity				
Equity Share Capital	61,627	61,627	61,627	61,627
Other Equity	2,59,942	2,96,325	3,35,241	3,64,361
Total Network	3,21,569	3,57,952	3,96,869	4,25,988
Non-Current Liabilities				
Long Term borrowings	19,934	22,099	22,099	22,099
Provisions	6,02,266	6,15,727	6,61,110	6,73,713
Other non current liabilities	53,967	57,706	62,706	56,037
Current Liabilities				
ST Debt / Current of LT Debt	44,326	-	-	-
Trade payables	1,01,076	76,791	86,991	69,054
Other current liabilities	3,39,235	3,68,987	4,05,270	4,18,514
Total Equity & Liabilities	15,00,215	15,15,430	16,51,964	16,82,564

Source: Company Data, PL Research

Cash Flow (Rs m)

Y/e Mar	FY20	FY21E	FY22E	FY22E
PBT	2,40,725	1,42,157	1,80,760	2,20,937
Add. Depreciation	34,508	37,701	43,599	45,100
Add. Interest	-	-	-	-
Less Financial Other Income	61,054	55,577	56,783	71,451
Add. Other	8,963	5,415	9,986	11,137
Op. profit before WC changes	2,84,196	1,85,273	2,34,345	2,77,173
Net Changes-WC	(1,23,268)	1,082	15,364	21,807
Direct tax	(1,19,463)	(63,382)	(48,805)	(59,653)
Net cash from Op. activities	41,465	1,22,973	2,00,903	2,39,328
Capital expenditures	(56,120)	(84,336)	(1,00,264)	(90,349)
Interest / Dividend Income	34,573	27,134	27,589	38,894
Others	24,871	-	-	-
Net Cash from Inv. activities	3,324	(57,202)	(72,675)	(51,455)
Issue of share cap. / premium	-	-	-	-
Debt changes	22,776	-	(20,000)	-
Dividend paid	(96,760)	(55,542)	(93,038)	(1,13,717)
Interest paid	(686)	-	-	-
Others	5,169	4,000	5,000	2,500
Net cash from Fin. activities	(69,502)	(51,542)	(1,08,038)	(1,11,217)
Net change in cash	(24,713)	14,229	20,190	76,655
Free Cash Flow	97,911	2,07,309	3,01,168	3,29,677

Source: Company Data, PL Research

Quarterly Financials (Rs m)

Y/e Mar	Q4FY19	Q1FY20	Q2FY20	Q3FY20
Net Revenue	285,463	249,390	203,826	231,905
YoY gr. (%)	7.5	3.6	(6.9)	(7.4)
Raw Material Expenses	-	-	-	-
Gross Profit	285,463	249,390	203,826	231,905
Margin (%)	100.0	100.0	100.0	100.0
EBITDA	82,122	66,124	36,112	49,684
YoY gr. (%)	4,147.6	17.0	(16.5)	(26.8)
Margin (%)	28.8	26.5	17.7	21.4
Depreciation / Depletion	10,372	7,343	7,930	8,942
EBIT	71,751	58,781	28,182	40,743
Margin (%)	25.1	23.6	13.8	17.6
Net Interest	1,019	166	1,700	1,513
Other Income	18,196	11,502	16,303	14,117
Profit before Tax	88,927	70,118	42,785	53,347
Margin (%)	31.2	28.1	21.0	23.0
Total Tax	28,659	23,811	7,543	14,140
Effective tax rate (%)	32.2	34.0	17.6	26.5
Profit after Tax	60,268	46,306	35,243	39,208
Minority interest	(1)	(2)	(2)	21
Share Profit from Associates	-	-	-	-
Adjusted PAT	60,268	46,306	35,243	39,208
YoY gr. (%)	363.1	22.4	14.2	(14.1)
Margin (%)	21.1	18.6	17.3	16.9
Extra Ord. Income / (Exp)	1	2	2	(21)
Reported PAT	60,269	46,308	35,245	39,187
YoY gr. (%)	363.0	22.4	14.2	(14.2)
Margin (%)	21.1	18.6	17.3	16.9
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	60,269	46,308	35,245	39,187
Avg. Shares O/s (m)	-	-	-	-
EPS (Rs)	-	-	-	-

Source: Company Data, PL Research

Key Financial Metrics

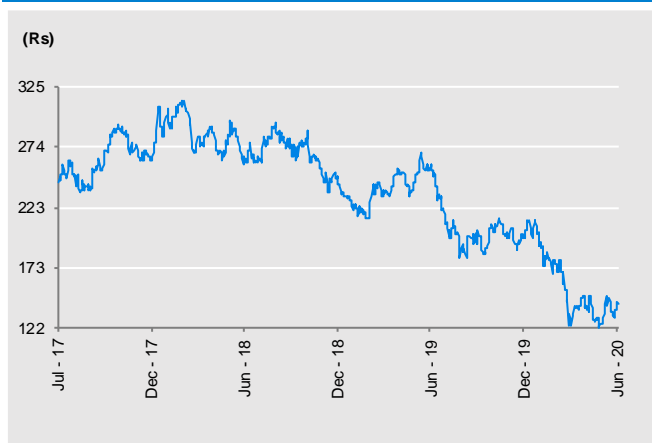
Y/e Mar	FY20	FY21E	FY22E	FY22E
Per Share(Rs)				
EPS	27.1	16.8	21.4	26.2
CEPS	41.7	31.2	37.5	41.6
BVPS	52.2	58.1	64.4	69.1
FCF	15.9	33.6	48.9	53.5
DPS	12.1	9.0	15.1	18.5
Return Ratio(%)				
RoCE	54.9	23.9	32.3	36.4
ROIC	18.3	11.7	13.8	14.8
RoE	57.0	30.5	35.0	40.1
Balance Sheet				
Net Debt : Equity (x)	(0.7)	(0.8)	(0.8)	(1.1)
Net Working Capital (Days)	41	34	34	27
Valuation(x)				
PER	5.2	8.4	6.6	5.4
P/B	2.7	2.4	2.2	2.1
P/CEPS	3.4	4.6	3.8	3.4
EV/EBITDA	2.4	3.2	2.5	1.7
EV/Sales	0.7	0.7	0.6	0.4
Dividend Yield (%)	8.5	6.3	10.6	13.0

Source: Company Data, PL Research

Key Operating Metrics

Y/e Mar	FY20	FY21E	FY22E	FY22E
Raw coal prod (mn tn)	602	549	604	609
Coal despatches (mn tn)	581	549	604	609
Vol sold under FSA/MoU (mn tn)	501	469	525	525
Vol sold under E-auction (mn tn)	65	65	66	70
Beneficiated coal vol (mn tn)	11	11	11	11
Vol sold to power utilities (mn tn)				
Real. / tonne (Rs)	1,538	1,458	1,503	1,546
Total cost per tonne (Rs)	1,181	1,276	1,340	1,347
Cash cost per tonne (Rs)	1,083	1,181	1,248	1,265
Employee cost / tonne (Rs)	678	654	725	737
EBITDA / tonne (Rs)	473	235	286	328
OBR adj / tonne (Rs)	98	92	92	82

Source: Company Data, PL Research

Price Chart
Recommendation History


No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	20-Apr-20	Accumulate	195	149
2	11-Feb-20	Accumulate	225	179
3	03-Jan-20	Accumulate	230	212
4	11-Nov-19	Accumulate	235	210
5	03-Oct-19	Accumulate	230	187
6	14-Aug-19	Accumulate	235	204
7	04-Jul-19	Hold	265	251

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	ACC	BUY	1,435	1,250
2	Ambuja Cement	BUY	210	192
3	Coal India	Accumulate	195	149
4	Heidelberg Cement India	Accumulate	185	172
5	Hindalco Industries	BUY	175	146
6	Hindustan Zinc	Accumulate	195	169
7	Jindal Steel & Power	BUY	150	109
8	JK Lakshmi Cement	BUY	350	238
9	JSW Steel	Reduce	140	166
10	NMDC	Accumulate	98	85
11	Shree Cement	Hold	18,330	22,117
12	Steel Authority of India	Reduce	25	28
13	Tata Steel	Reduce	242	293
14	The Ramco Cements	Hold	600	645
15	Ultratech Cement	BUY	4,375	3,745

PL's Recommendation Nomenclature (Absolute Performance)

Buy	: > 15%
Accumulate	: 5% to 15%
Hold	: +5% to -5%
Reduce	: -5% to -15%
Sell	: < -15%
Not Rated (NR)	: No specific call on the stock
Under Review (UR)	: Rating likely to change shortly

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