

## Steady performance....

Coal India (CIL) reported an operationally steady set of Q1FY21 numbers. For the quarter, topline came in lower than our estimate while EBITDA and PAT came in higher than our estimate. CIL reported sales volumes of 120 million tonne (MT), down 22% YoY, 27% QoQ. Total operating income was at ₹ 18486.8 crore (down 26% YoY, 33% QoQ), lower than our estimate of ₹ 19986.8 crore. EBITDA came in at ₹ 3051.7 crore (down 54% YoY, 55% QoQ) but higher than our estimate of ₹ 2098.6 crore. EBITDA margin was at 16.5% (26.5% in Q1FY20, 24.4% in Q4FY20), higher than our estimate of 10.5%. Ensuing PAT came in at ₹ 2077.5 crore (down 55% both QoQ, YoY) but higher than our estimate of 1439.4 crore.

## YTD, both production, offtake remain lower YoY...

In the current fiscal (YTD), the company witnessed a muted trend in both production and offtake volumes. During April-August 2020 (YTD), CIL reported production of 195.5 MT (down 7.0% YoY) while offtake during the period was at 208.4 MT (down 13.4% YoY). During the current fiscal, August 2020 is the only month where the company was able to report growth in production and offtake on a YoY basis. For August 2020, CIL's coal production increased 7.1% YoY to 37.2 MT (34.7 MT in August 2019) while coal offtake increased 9.3% YoY to 44.3 MT (40.6 MT in August 2019). Going forward, in FY21E and FY22E, we model an offtake volume of 550 MT and 575 MT, respectively. For FY20, production volume was at 602 MT (down 1% YoY) while offtake volume was at 581 MT (down 4% YoY).

## EBITDA margins to hover at ~18% in next couple of years...

We expect EBITDA margins to hover at ~18% in the next couple of years (18% for FY21E, 18.3% for FY22E, FY20 EBITDA margin at 22.8%). EBITDA margin is likely to decline from FY20 levels due to a muted trend in e-auction realisations and overall subdued trend in offtake volumes.

## Valuation & Outlook

CIL reported an operationally steady Q1FY21 performance. Going forward, we model sales volume of 550 MT for FY21E and 575 MT for FY22E. Furthermore, we expect EBITDA margins to hover at ~18% over the next couple of years. We value the stock at 5x FY22E adjusted EV/EBITDA and arrive at a target price of ₹ 150. We maintain our **HOLD** recommendation.



### Particulars

Particular	Amount
Market Capitalization	₹ 82186.1 crore
Total Debt (FY20)	₹ 6426 crore
Cash and Investments (FY20)	₹ 28447 crore
EV	₹ 60165.1 crore
52 week H/L	217 / 119
Face value	₹ 10

### Key Highlights

- Fuel supply agreement (FSA) sales volume was at 102.2 MT (130.3 MT in Q1FY20) while FSA realisation during the quarter was at ₹ 1359.5/tonne (₹ 1370/tonne in Q1FY20)
- E-auction volumes at 15.9 MT (19.1 MT in Q1FY20) while e-auction realisations at ₹ 1598/tonne (₹ 2155/tonne in Q1FY20)
- Maintain **HOLD** rating on stock with target price of ₹ 150

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### Key Financial Summary

(₹ crore)	FY18	FY19	FY20	FY21E	FY22E
Total Operating Income	85,244.2	99,585.6	96,080.3	93,286.3	97,268.9
EBITDA	9,288.2	25,005.9	21,920.9	16,821.7	17,839.2
EBITDA Margin (%)	10.9	25.1	22.8	18.0	18.3
PAT	7,038.0	17,464.5	16,700.4	13,656.2	14,122.1
EPS (₹)	11.3	28.3	27.1	22.2	22.9
EV/EBITDA (x)	5.7	2.1	2.7	4.3	4.4
RoCE (%)	40.8	86.3	55.5	40.2	40.1
ROE (%)	34.9	66.0	51.9	39.0	36.9

Source: Company, ICICI Direct Research

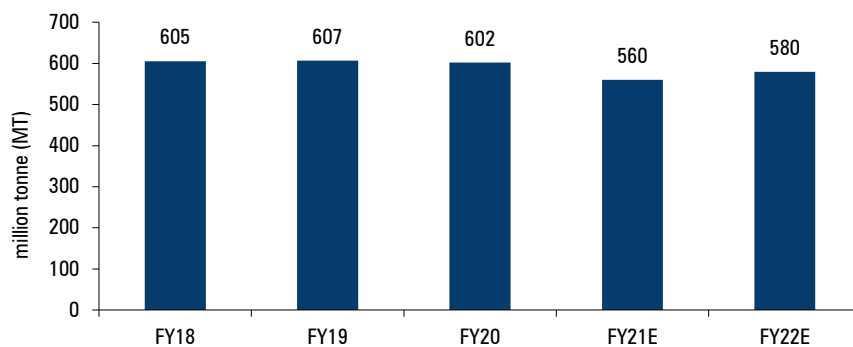
**Exhibit 1: Variance Analysis**

	Q1FY21	Q1FY21E	Q1FY20	YoY (%)	Q4FY20	QoQ (%)	Comments
<b>Total Operating Income</b>	18486.8	19986.8	24939.0	-25.9	27,568.2	-32.9	Topline came in lower than our estimate
Other Income	785.1	1000.0	1150.2	-31.7	1,913.2	-59.0	
Total Expenditure	15435.1	17888.2	18326.6	-15.8	20,839.4	-25.9	
EBITDA	3051.7	2098.6	6612.4	-53.8	6,728.9	-54.6	EBITDA came in higher than out estimate on account of lower employee cost & contractual expense
EBITDA Margin (%)	16.5	10.5	26.5	10 bps	17.7	(880) bps	
Depreciation	852.6	1050.0	734.3	16.1	1029.4	-17.2	
Interest	183.0	125.0	16.6	1004.1	165.1	10.8	
Share of JV	-1.1	0.0	-0.8	39.5	0.1	-1063.6	
PBT	2800.1	1923.6	7011.0	-60.1	7447.4	-62.4	
Total Tax	722.6	484.2	2381.1	-69.7	2821.6	-74.4	
<b>PAT</b>	2077.5	1439.4	4629.9	-55.1	4625.8	-55.1	PAT came in higher than our estimates
<b>Key Metrics</b>							
Coal Sales (million tonne)	120.4	120.6	153.0	-21.3	164.0	-26.6	Sales volumes came in line with out estimate

Source: Company, ICICI Direct Research

## Financial story in charts

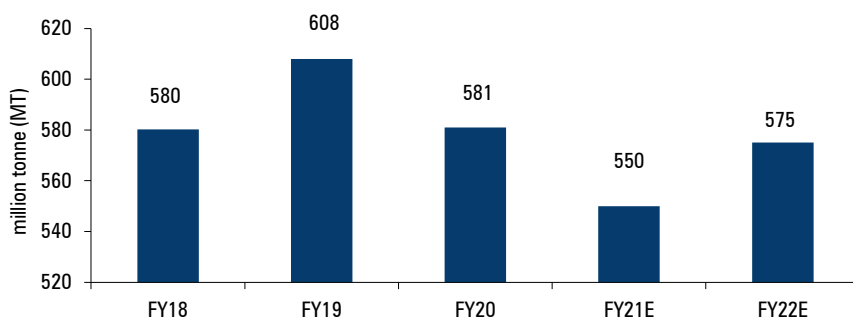
**Exhibit 2: Trend in production**



*Modelled coal production of 560 MT for FY21E and 580 MT for FY22E*

Source: Company, ICICI Direct Research

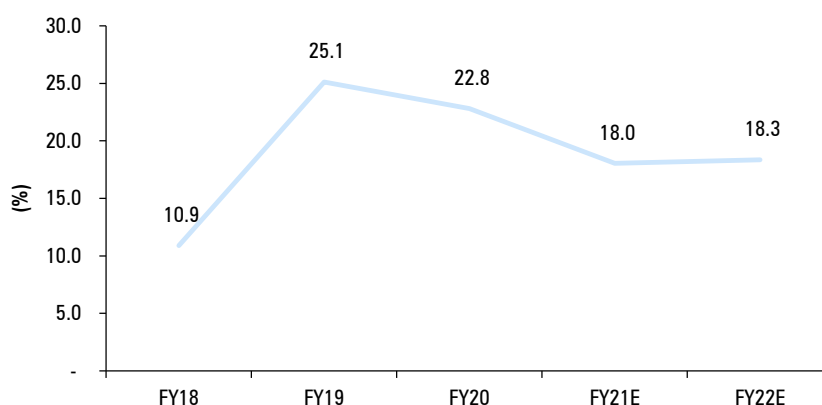
**Exhibit 3: Trend in offtake**



*Modelled coal offtake of 550 MT for FY21E and 575 MT for FY22E*

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 ~18-18.3%*

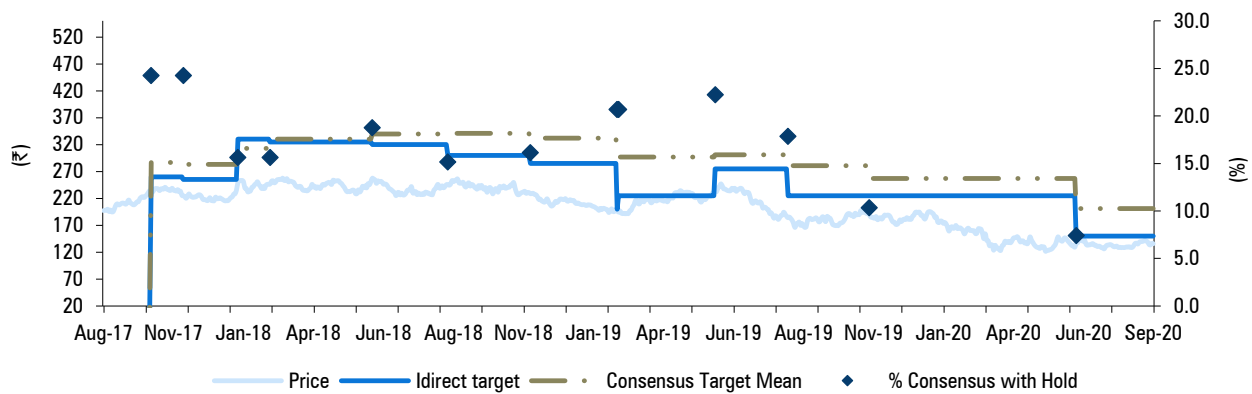
Source: Company, ICICI Direct Research

**Exhibit 5: Valuation**

	Op. Inc.	Growth	EPS	Growth	PE	EV/EBITDA	RoNW	RoCE
	(₹ cr)	(%)	(₹)	(%)	(x)	(x)	(%)	(%)
FY18	85,244	9.0	11.3	-51.2	11.7	5.7	34.9	40.8
FY19	99,586	16.8	28.3	149.9	4.7	2.1	66.0	86.3
FY20	96,080	-3.5	27.1	-4.4	4.9	2.7	51.9	55.5
FY21E	93,286	-2.9	22.2	-18.2	6.0	4.6	39.0	40.2
FY22E	97,269	4.3	22.9	3.4	5.8	4.4	36.9	40.1

Source: Company, ICICI Direct Research

### Exhibit 6: Recommendation History vs. Consensus



Source: Bloomberg, Company, ICICI Direct Research

### Exhibit 7: Top 10 Shareholders

Rank	Name	Latest Filing	% O/S	Position (m)	Change (m)
1	GOVERNMENT OF INDIA	30-06-2020	66.1	4075.6	0.0
2	HDFC ASSET MANAGEMEN	30-06-2020	3.7	227.2	15.3
3	RELIANCE CAPITAL TRU	03-09-2020	3.1	191.6	-0.1
4	ICICI PRUDENTIAL ASS	31-07-2020	1.1	67.2	4.0
5	GIC PRIVATE LIMITED	30-06-2020	1.0	64.3	0.6
6	VANGUARD GROUP	31-07-2020	0.9	52.2	-0.7
7	SBI FUNDS MANAGEMENT	31-07-2020	0.7	43.6	5.0
8	BLACKROCK	02-09-2020	0.6	37.5	0.0
9	ADITYA BIRLA SUN LIF	31-07-2020	0.5	27.7	-4.9
10	LAZARD LTD	31-07-2020	0.3	20.2	-5.2

Source: Bloomberg, ICICI Direct Research

### Exhibit 8: Shareholding Pattern

(in %)	Dec-19	Mar-20	Jun-20
Promoter	69.1	66.1	66.1
Others	31.0	33.9	33.9
Total	100.0	100.0	100.0

Source: Company, ICICI Direct Research

## Financial summary

Exhibit 9: Profit and loss statement ₹ crore				
(Year-end March)	FY19	FY20	FY21E	FY22E
<b>Total Operating Income</b>	<b>99586</b>	<b>96080</b>	<b>93286</b>	<b>97269</b>
Growth (%)	16.8	-3.5	-2.9	4.3
Total Operating Expenditure	74580	74159	76465	79430
<b>EBITDA</b>	<b>25006</b>	<b>21921</b>	<b>16822</b>	<b>17839</b>
Growth (%)	169.2	-12.3	-23.3	6.0
Depreciation	3450	3451	3537	3626
Interest	264	503	377	283
Other Income	5837	6105	5342	4942
Exceptional Item	2	1	0	0
PBT	27127	24071	18250	18872
Total Tax	9662	7371	4593	4750
<b>PAT</b>	<b>17464</b>	<b>16700</b>	<b>13656</b>	<b>14122</b>
Growth (%)	148.1	-4.4	-18.2	3.4
<b>Adj EPS (₹)</b>	<b>28.3</b>	<b>27.1</b>	<b>22.2</b>	<b>22.9</b>

Source: Company, ICICI Direct Research

Exhibit 10: Cash flow statement ₹ crore				
(Year-end March)	FY19	FY20	FY21E	FY22E
<b>Profit after Tax</b>	<b>17464</b>	<b>16700</b>	<b>13656</b>	<b>14122</b>
Add: Depreciation	3450	3451	3537	3626
Add: Interest	264	503	377	283
(Inc)/dec in Current Assets	-1673	-17855	-8479	-7396
Inc/(dec) in CL and Prov.	17	7629	-1203	3114
<b>CF from operating activities</b>	<b>19523</b>	<b>10428</b>	<b>7889</b>	<b>13749</b>
(Inc)/dec in Investments	-1466	1197	0	0
(Inc)/dec in Fixed Assets	-7880	-6287	-8000	-8000
Others	-138	-184	-1000	-1000
<b>CF from investing activities</b>	<b>-9484</b>	<b>-5273</b>	<b>-9000</b>	<b>-9000</b>
Issue/(Buy back) of Equity	45	-14	50	50
Inc/(dec) in loan funds	672	4223	-500	-500
Interest Paid	-264	-503	-377	-283
Dividend paid & dividend tax	-9446	-7972	-10816	-10816
Others	-1742	-3027	0	0
<b>CF from financing activities</b>	<b>-10735</b>	<b>-7292</b>	<b>-11643</b>	<b>-11548</b>
Net Cash flow	-696	-2137	-12754	-6799
Opening Cash	31280	30585	28447	15693
<b>Closing Cash</b>	<b>30585</b>	<b>28447</b>	<b>15693</b>	<b>8894</b>

Source: Company, ICICI Direct Research

Exhibit 11: Balance sheet ₹ crore				
(Year-end March)	FY19	FY20	FY21E	FY22E
<b>Liabilities</b>				
Equity Share Capital	6163	6163	6163	6163
Reserve and Surplus	20292	25994	28835	32141
Total Shareholders funds	26455	32157	34998	38304
Total Debt	2203	6426	5926	5426
Minority Interest	408	394	444	494
<b>Total Liabilities</b>	<b>29066</b>	<b>38977</b>	<b>41368</b>	<b>44224</b>
<b>Assets</b>				
Gross Block	77793	85925	91925	97925
Less: Acc Depreciation	45136	49084	52621	56247
Net Block	32657	36841	39304	41678
CWIP	9619	8271	10271	12271
Investments	3170	1973	1973	1973
Inventory	5584	6619	9427	9793
Debtors	5499	14408	17079	18609
Loans and Advances	13743	14924	16924	18924
Other Current Assets	28104	34834	35834	39334
Cash	30585	28447	15693	8894
Total Current Assets	83514	99231	94956	95552
Current Liabilities	44749	44028	40325	40939
Provisions	58667	67017	69517	72017
Current Liabilities & Prov	103416	111045	109841	112956
Net Current Assets	-19902	-11813	-14885	-17403
Others	3522	3706	4706	5706
<b>Application of Funds</b>	<b>29066</b>	<b>38977</b>	<b>41368</b>	<b>44224</b>

Source: Company, ICICI Direct Research

Exhibit 12: Key ratios ₹ crore				
(Year-end March)	FY19	FY20	FY21E	FY22E
<b>Per share data (₹)</b>				
Adj EPS	28.3	27.1	22.2	22.9
Cash EPS	33.9	32.7	27.9	28.8
BV	42.9	52.2	56.8	62.2
DPS	13.1	12.0	12.0	12.0
Cash Per Share	49.6	46.2	25.5	14.4
<b>Operating Ratios (%)</b>				
EBITDA Margin	25.1	22.8	18.0	18.3
PBT / Total Operating income	27.2	25.1	19.6	19.4
PAT Margin	17.5	17.4	14.6	14.5
Inventory days	27	33	45	45
Debtor days	22	59	72	75
Creditor days	176	180	170	165
<b>Return Ratios (%)</b>				
Adj RoE	66.0	51.9	39.0	36.9
Adj RoCE	86.3	55.5	40.2	40.1
<b>Valuation Ratios (x)</b>				
P/E	4.7	4.9	6.0	5.8
EV / EBITDA	2.1	2.7	4.3	4.4
EV / Net Sales	0.5	0.6	0.8	0.8
Market Cap / Sales	1.3	1.4	1.4	1.4
Price to Book Value	5.0	4.1	3.8	3.5
<b>Solvency Ratios</b>				
Debt/EBITDA	0.1	0.3	0.4	0.3
Debt / Equity	0.1	0.2	0.2	0.1
Current Ratio	0.8	0.9	0.9	0.8
Quick Ratio	0.8	0.8	0.8	0.8

Source: Company, ICICI Direct Research

**Exhibit 13: ICICI Direct coverage universe (Metals and Mining)**

	CMP	TP		M Cap	EPS (₹)			P/E (x)			EV/EBITDA (x)			ROCE(%)			ROE(%)		
	(₹)	(₹) Rating		(₹ Cr)	FY20	FY21E	FY22E	FY20	FY21E	FY22E	FY20	FY21E	FY22E	FY20	FY21E	FY22E	FY20	FY21E	FY22E
Coal India	132	150	Hold	82186	27.1	22.2	22.9	5.0	6.1	5.9	2.8	4.4	4.5	55.5	40.2	40.1	51.9	39.0	36.9
Hindalco	188	225	Buy	43432	18.2	16.4	29.2	10.6	11.7	6.6	5.6	7.6	5.5	7.8	6.0	8.4	6.9	6.0	9.7
Hind Zinc	222	195	Hold	93718	16.1	12.4	18.8	11.8	15.3	10.1	6.6	8.2	4.8	20.8	20.0	26.0	16.9	14.5	19.0
JSW Steel	282	210	Hold	68225	19.5	3.3	22.2	10.5	61.3	9.2	8.9	11.7	6.5	7.2	4.5	10.6	12.7	2.1	12.5
NMDC	94	100	Hold	28705	11.8	11.6	9.0	8.3	8.4	10.8	4.9	5.4	5.9	20.3	14.3	9.9	13.1	11.3	8.3
Ratnamani	1174	1320	Buy	5252	65.8	49.5	66.0	17.1	22.7	17.0	12.5	16.0	11.4	22.2	14.8	19.8	18.0	12.3	14.4
Graphite Ind.	187	200	Hold	3473	2.0	1.0	21.0	80.8	231.3	8.7	NA	NA	3.2	-2.6	-5.4	6.0	1.0	0.3	8.7
Tata Steel	421	450	Hold	50737	41.4	-20.3	56.7	10.1	NA	7.4	9.1	12.6	5.7	5.0	2.0	8.9	6.4	-3.2	8.0
HEG	812	750	Hold	3004	14.0	4.0	74.0	56.1	192.7	10.5	NA	NA	4.4	1.6	1.4	11.0	1.6	0.5	7.9
Mah Seamless	232	265	Hold	1555	54.0	35.9	45.9	4.6	7.0	5.4	5.0	6.2	4.8	10.4	7.8	9.7	3.6	7.1	8.4

Source: ICICI Direct Research, Company

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Buy: > 15%

Hold: -5% to 15%;

Reduce: -15% to -5%;

Sell: < -15%



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