

June 18, 2021

Q4FY21 Result Update

Change in Estimates | Target | Reco

Change in Estimates

	Current		Previous	
	FY22E	FY23E	FY22E	FY23E
Rating	HOLD		HOLD	
Target Price	160		143	
Sales (Rs. m)	10,19,114	11,11,259	10,06,053	10,97,977
% Chng.	1.3	1.2		
EBITDA (Rs. m)	2,34,884	2,78,196	2,31,061	2,74,178
% Chng.	1.7	1.5		
EPS (Rs.)	20.8	24.3	21.2	26.1
% Chng.	(2.1)	(6.6)		

Key Financials - Consolidated

Y/e Mar	FY20	FY21	FY22E	FY23E
Sales (Rs. bn)	961	900	1,019	1,111
EBITDA (Rs.bn)	275	200	235	278
Margin (%)	28.6	22.2	23.0	25.0
PAT (Rs. bn)	168	128	128	150
EPS (Rs.)	27.3	20.7	20.8	24.3
Gr. (%)	(1.8)	(24.2)	0.3	17.2
DPS (Rs.)	12.0	16.1	12.6	14.7
Yield (%)	7.9	10.6	8.3	9.7
RoE (%)	57.4	36.8	33.2	34.9
RoCE (%)	54.9	36.4	31.0	34.0
EV/Sales (x)	0.7	0.9	0.7	0.6
EV/EBITDA (x)	2.6	3.9	3.1	2.6
PE (x)	5.6	7.3	7.3	6.2
P/BV (x)	2.9	2.5	2.3	2.0

Key Data

COAL.BO | COAL IN

52-W High / Low	Rs.165 / Rs.110
Sensex / Nifty	52,323 / 15,691
Market Cap	Rs.938bn/ \$ 12,657m
Shares Outstanding	6,163m
3M Avg. Daily Value	Rs.4909.03m

Shareholding Pattern (%)

Promoter's	66.13
Foreign	6.48
Domestic Institution	21.87
Public & Others	5.52
Promoter Pledge (Rs bn)	-

Stock Performance (%)

	1M	6M	12M
Absolute	2.7	6.1	17.5
Relative	(2.7)	(4.9)	(24.7)

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Performance to remain below par

Quick Pointers:

- Looking to increase linkage/FSA prices soon
- Capex to remain elevated at Rs170bn (FY21 capex:Rs131bn) each in FY22 and FY23
- E-auction realisations remained tepid in June due to softness in demand

Coal India (COAL) reported Q4FY21 earnings in line with our estimates. Adj. EBITDA fell 16% YoY to Rs81.1bn (PLe:Rs81.4bn) due to 5% fall in realisations and 3% increase in costs. Cash & cash equivalents fell 27% YoY to Rs209bn due to lower earnings, high receivables and elevated capex.

Sharp increase in capex intensity came as a negative surprise for street as well as for us. Increase in linkage prices would get diluted in mitigating the elevated capex and upcoming wage hike effective from 1st July, 2021. Similarly, E-auction realisations remained subdued despite global prices at multi-year highs. Due to low visibility on earnings and deteriorating quality of B/S, we maintain Hold rating on stock with TP of Rs160 (earlier Rs143), EV/EBITDA of 3x FY23e.

- Volume growth remains tepid:** Volumes rose marginally by 0.6% YoY at 165mnt (PLe:164mnt) on a base of 0.2% growth. FSA volumes fell 4.5% YoY to 133mnt (PLe:131mnt). E-auction volumes rose sharply by 38% YoY to 28.9mnt (PLe:27.3mnt). Washed coal volumes fell 19% YoY to 2.7mnt (PLe:3.4mnt) due to fall in demand from non-power sector.
- Weak FSA realisations put drag on overall realisations:** FSA realisations fell 3.7% YoY at Rs1,392 (PLe:Rs1,420). Due to low reserve price and higher auctions for power sector, E-auction realisations fell 17% YoY(+20% QoQ) at Rs1,752 (PLe:Rs1,575). While, washed coal realisations grew 8% YoY (+3% QoQ) to Rs2,760 (PLe:Rs2,700). Hence, blended realisations fell 4.8% YoY to Rs1,486 (PLe:Rs1,483), while up 5.4% QoQ.
- Lower OBR adj and fall in tax rate helps maintain PAT YoY:** Cash cost (adjusted for non-cash OBR adjustment and provisions) increased 3% YoY to Rs1,127/t (PLe:Rs1,120) due to higher stores & spares cost and lower production. While, reported cost fell 3% YoY to Rs1,232 (PLe:Rs1,207) due to 40%/Rs50 per ton fall in OBR adjustment. Hence, Reported EBITDA fell marginally by 5% YoY (v/s 16% on Adjusted level) to Rs63.8bn (PLe:Rs67.0bn). Aided by 950bps reduction in tax rate at 28.4% (PLe:27%), Reported PAT fell slightly by 1% YoY to Rs45.9bn (PLe:Rs46.8bn).
- Key takeaways from concall: 1)** Capex intensity to remain high due to long pending replacement of old equipments and setting up evacuation facilities **2)** Targeting 38-48% growth in E-auction volumes at 130-140mnt in FY22 **3)** Expects receivables to settle between Rs120-130bn by end of FY22e from current Rs196bn **4)** E-auctions premiums remained subdued at 16-17% in June **5)** Targeting savings of Rs40-50/t in transportation cost on account of investments in First mile connectivity projects

Exhibit 1: Q4FY21 Result Overview (Rs m)

Y/e March	Q4FY21	Q4FY20	YoY gr. (%)	Q3FY21	FY21	FY20	YoY gr. (%)
Net operating revenue	2,45,108	2,55,974	(4.2)	2,17,083	8,27,103	8,93,733	(7.5)
Other operating income	21,893	19,708	11.1	19,778	73,157	67,070	9.1
Revenue (including other operating income)	2,67,001	2,75,682	(3.1)	2,36,860	9,00,260	9,60,803	(6.3)
(Accretion)/Decretion in Stocks	(21,837)	(24,954)	(12.5)	(5,046)	(23,513)	(10,426)	
Consumption of stores and spares	26,554	22,462	18.2	19,715	78,677	71,263	10.4
Employees' Remuneration & Benefits	1,06,251	1,05,765	0.5	93,540	3,86,977	3,93,841	(1.7)
Power & Fuel	6,152	6,196	(0.7)	6,433	25,382	24,873	2.0
CSR expenses	1,758	4,307	(59.2)	909	4,493	5,878	(23.6)
Repairs	5,364	5,526	(2.9)	3,207	14,188	14,109	0.6
Contractual Expenses	48,359	45,136	7.1	43,515	1,60,231	1,39,115	15.2
Miscellaneous expenses	13,261	14,893	(11.0)	11,054	43,165	46,054	(6.3)
Overburden Removal Adjustment	15,924	27,903	(42.9)	6,858	14,504	55,419	(73.8)
Provision and write off	1,396	1,159	20.4	5,029	10,421	1,468	609.7
Total Cost of Sales	2,03,180	2,08,393	(2.5)	1,85,213	7,14,526	7,41,594	(3.7)
EBITDA	63,821	67,289	(5.2)	51,648	1,85,734	2,19,209	(15.3)
<i>as a % of Sales</i>	<i>26.0</i>	<i>26.3</i>		<i>23.8</i>	<i>22.5</i>	<i>24.5</i>	
Depreciation	10,881	10,294	5.7	9,159	37,089	34,508	7.5
EBIT	52,940	56,995	(7.1)	42,489	1,48,645	1,84,701	(19.5)
Interest	1,590	1,651	(3.7)	1,554	6,447	5,029	28.2
PBT (before other income)	51,350	55,344	(7.2)	40,935	1,42,198	1,79,672	(20.9)
Other Income	12,740	19,132	(33.4)	6,486	37,924	61,054	(37.9)
PBT before extraordinaries	64,090	74,476	(13.9)	47,421	1,80,122	2,40,726	(25.2)
Exceptional items	-	-		-	-	-	
PBT after extraordinaries	64,090	74,476	(13.9)	47,421	1,80,122	2,40,726	(25.2)
Provision for Taxation	18,172	28,216	(35.6)	16,581	53,071	73,710	(28.0)
Reported PAT	45,918	46,259	(0.7)	30,840	1,27,051	1,67,016	(23.9)
Adjusted PAT	45,918	46,259	(0.7)	30,840	1,27,051	1,67,016	(23.9)

Source: Company, PL

Exhibit 2: Operating Metrics

Y/e March (Rs mn)	Q4FY21	Q4FY20	YoY gr. (%)	Q3FY21	FY21	FY20	YoY gr. (%)
Coal production (m tonnes)	203.4	213.7	(4.8)	156.8	596.2	602.1	(1.0)
Coal sales volume (m tonnes)	164.9	163.9	0.6	153.9	573.1	581.4	(1.4)
Net realisation (Excl. Other Operating Income)	1,486	1,562	(4.8)	1,411	1,443	1,537	(6.1)
Realisation (Inc. Other Operating Income)	1,619	1,682	(3.7)	1,540	1,571	1,653	(4.9)
Total cost/tonne	1,232	1,272	(3.1)	1,204	1,247	1,276	(2.3)
Cash cost/t (excluding OBR and Provisions)	1,127	1,094	3.0	1,127	1,203	1,178	2.2
EBITDA/tonne	387	411	(5.7)	336	324	377	(14.0)
Adjusted EBITDA/tonne	492	588	(16.3)	413	368	475	(22.6)
Sales volume mix (m tonnes)							
FSA	132.9	139.2	(4.5)	123.1	466.4	501.0	(6.9)
E-auction	28.9	21.0	37.6	27.3	94.4	65.4	44.4
Washed coal	2.7	3.3	(18.8)	2.9	10.0	11.0	(8.8)
Realisation per tonne (Rs)							
FSA	1,392	1,446	(3.7)	1,354	1,379	1,416	(2.6)
E-auction	1,752	2,105	(16.8)	1,466	1,569	2,177	(28.0)
Washed coal	2,761	2,548	8.3	2,690	2,745	2,831	(3.0)

Source: Company, PL

Financials

Income Statement (Rs m)

Y/e Mar	FY20	FY21	FY22E	FY23E
Net Revenues	9,60,803	9,00,260	10,19,114	11,11,259
YoY gr. (%)	(3.5)	(6.3)	13.2	9.0
Cost of Goods Sold	60,836	55,164	86,579	94,498
Gross Profit	8,99,967	8,45,096	9,32,535	10,16,761
Margin (%)	93.7	93.9	91.5	91.5
Employee Cost	3,93,841	3,86,977	4,22,581	4,31,814
Other Expenses	2,06,626	2,32,499	2,47,405	2,76,259
EBITDA	2,74,627	2,00,238	2,34,884	2,78,196
YoY gr. (%)	(8.7)	(27.1)	17.3	18.4
Margin (%)	28.6	22.2	23.0	25.0
Depreciation and Amortization	89,927	51,593	96,995	1,11,806
EBIT	1,84,700	1,48,645	1,37,889	1,66,390
Margin (%)	19.2	16.5	13.5	15.0
Net Interest	5,029	6,447	5,617	6,124
Other Income	61,054	38,494	40,708	42,482
Profit Before Tax	2,40,725	1,80,692	1,72,980	2,02,748
Margin (%)	25.1	20.1	17.0	18.2
Total Tax	72,358	53,071	44,975	52,715
Effective tax rate (%)	30.1	29.4	26.0	26.0
Profit after tax	1,68,367	1,27,622	1,28,005	1,50,034
Minority interest	-	-	-	-
Share Profit from Associate	-	-	-	-
Adjusted PAT	1,68,340	1,27,622	1,28,005	1,50,034
YoY gr. (%)	(1.8)	(24.2)	0.3	17.2
Margin (%)	17.5	14.2	12.6	13.5
Extra Ord. Income / (Exp)	28	-	-	-
Reported PAT	1,68,367	1,27,622	1,28,005	1,50,034
YoY gr. (%)	(3.2)	(24.2)	0.3	17.2
Margin (%)	17.5	14.2	12.6	13.5
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	1,68,367	1,27,622	1,28,005	1,50,034
Equity Shares O/s (m)	6,163	6,163	6,163	6,163
EPS (Rs)	27.3	20.7	20.8	24.3

Source: Company Data, PL Research

Balance Sheet Abstract (Rs m)

Y/e Mar	FY20	FY21	FY22E	FY23E
Non-Current Assets				
Gross Block	5,13,809	6,11,851	7,38,411	8,65,641
Tangibles	5,13,809	6,11,851	7,38,411	8,65,641
Intangibles	-	-	-	-
Acc: Dep / Amortization	1,45,973	1,83,062	2,26,946	2,79,077
Tangibles	1,45,973	1,83,062	2,26,946	2,79,077
Intangibles	-	-	-	-
Net fixed assets	3,67,836	4,28,789	5,11,465	5,86,563
Tangibles	3,67,836	4,28,789	5,11,465	5,86,563
Intangibles	-	-	-	-
Capital Work In Progress	83,283	94,176	1,08,238	1,22,375
Goodwill	-	-	-	-
Non-Current Investments	1,61,944	1,72,488	1,85,488	1,98,488
Net Deferred tax assets	33,110	33,834	33,834	33,834
Other Non-Current Assets	17,924	25,718	26,718	27,718
Current Assets				
Investments	997	997	997	997
Inventories	66,189	89,475	94,826	1,03,385
Trade receivables	1,44,082	1,96,231	1,53,904	1,67,772
Cash & Bank Balance	2,84,468	2,08,433	2,55,710	2,76,979
Other Current Assets	2,97,302	2,87,746	2,90,760	2,96,592
Total Assets	14,99,218	15,79,970	17,04,022	18,56,785
Equity				
Equity Share Capital	61,627	61,627	61,627	61,627
Other Equity	2,59,942	3,09,971	3,38,890	3,98,251
Total Networkth	3,21,569	3,71,598	4,00,518	4,59,879
Non-Current Liabilities				
Long Term borrowings	20,012	58,830	58,830	58,830
Provisions	6,02,266	6,13,122	6,54,928	7,06,781
Other non current liabilities	53,967	56,967	61,967	66,967
Current Liabilities				
ST Debt / Current of LT Debt	44,326	-	-	-
Trade payables	1,01,076	1,05,235	1,07,733	1,17,440
Other current liabilities	3,39,157	3,57,879	4,02,879	4,29,080
Total Equity & Liabilities	15,00,215	15,80,967	17,05,019	18,57,782

Source: Company Data, PL Research

Cash Flow (Rs m)

Y/e Mar	FY20	FY21	FY22E	FY23E
PBT	2,40,725	1,80,692	1,72,980	2,02,748
Add. Depreciation	34,508	37,089	43,884	52,132
Add. Interest	-	-	-	-
Less Financial Other Income	61,054	38,494	40,708	42,482
Add. Other	8,963	1,046	30,948	37,117
Op. profit before WC changes	2,84,196	2,18,828	2,47,812	2,91,997
Net Changes-WC	(1,23,268)	(54,190)	71,765	943
Direct tax	(1,19,463)	(53,795)	(44,975)	(52,715)
Net cash from Op. activities	41,465	1,10,843	2,74,602	2,40,225
Capital expenditures	(56,120)	(1,08,935)	(1,40,622)	(1,41,367)
Interest / Dividend Income	34,573	16,171	18,000	19,207
Others	29,411	-	-	-
Net Cash from Inv. activities	7,863	(92,764)	(1,22,622)	(1,22,159)
Issue of share cap. / premium	-	-	-	-
Debt changes	22,776	(5,508)	-	-
Dividend paid	(96,760)	(77,593)	(99,086)	(90,673)
Interest paid	(686)	(6,447)	(5,617)	(6,124)
Others	5,169	3,000	5,000	5,000
Net cash from Fin. activities	(69,502)	(86,548)	(99,704)	(91,796)
Net change in cash	(20,173)	(68,469)	52,277	26,270
Free Cash Flow	97,585	2,19,778	4,15,224	3,81,592

Source: Company Data, PL Research

Quarterly Financials (Rs m)

Y/e Mar	Q1FY21	Q2FY21	Q3FY21	Q4FY21
Net Revenue	1,84,868	2,11,531	2,36,860	2,67,001
YoY gr. (%)	(25.9)	3.8	2.1	(3.1)
Raw Material Expenses	-	-	-	-
Gross Profit	1,84,868	2,11,531	2,36,860	2,67,001
Margin (%)	100.0	100.0	100.0	100.0
EBITDA	30,517	39,749	51,648	63,821
YoY gr. (%)	(53.8)	10.1	4.0	(5.2)
Margin (%)	16.5	18.8	21.8	23.9
Depreciation / Depletion	8,526	8,523	9,159	10,881
EBIT	21,991	31,226	42,489	52,940
Margin (%)	11.9	14.8	17.9	19.8
Net Interest	1,830	1,473	1,554	1,590
Other Income	7,851	10,848	6,486	12,740
Profit before Tax	28,012	40,600	47,421	64,090
Margin (%)	15.2	19.2	20.0	24.0
Total Tax	7,226	11,092	16,581	18,172
Effective tax rate (%)	25.8	27.3	35.0	28.4
Profit after Tax	20,786	29,508	30,840	45,918
Minority interest	21	(35)	13	(22)
Share Profit from Associates	-	-	-	-
Adjusted PAT	20,786	29,508	30,840	45,918
YoY gr. (%)	(55.1)	(16.3)	(21.3)	(0.7)
Margin (%)	11.2	13.9	13.0	17.2
Extra Ord. Income / (Exp)	(21)	35	(13)	22
Reported PAT	20,765	29,543	30,827	45,940
YoY gr. (%)	(55.2)	(16.2)	(21.3)	(0.4)
Margin (%)	11.2	14.0	13.0	17.2
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	20,765	29,543	30,827	45,940
Avg. Shares O/s (m)	-	-	-	-
EPS (Rs)	-	-	-	-

Source: Company Data, PL Research

Key Financial Metrics

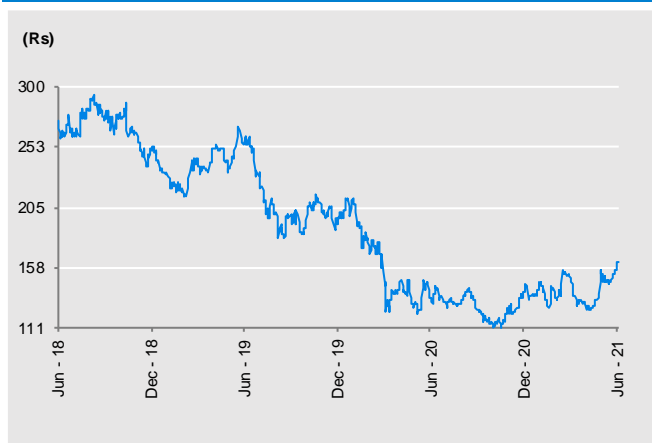
Y/e Mar	FY20	FY21	FY22E	FY23E
Per Share(Rs)				
EPS	27.3	20.7	20.8	24.3
CEPS	41.9	29.1	36.5	42.5
BVPS	52.2	60.3	65.0	74.6
FCF	15.8	35.7	67.4	61.9
DPS	12.0	16.1	12.6	14.7
Return Ratio(%)				
RoCE	54.9	36.4	31.0	34.0
ROIC	18.3	12.7	13.8	15.0
RoE	57.4	36.8	33.2	34.9
Balance Sheet				
Net Debt : Equity (x)	(0.7)	(0.4)	(0.5)	(0.5)
Net Working Capital (Days)	41	73	50	50
Valuation(x)				
PER	5.6	7.3	7.3	6.2
P/B	2.9	2.5	2.3	2.0
P/CEPS	3.6	5.2	4.2	3.6
EV/EBITDA	2.6	3.9	3.1	2.6
EV/Sales	0.7	0.9	0.7	0.6
Dividend Yield (%)	7.9	10.6	8.3	9.7

Source: Company Data, PL Research

Key Operating Metrics

Y/e Mar	FY20	FY21	FY22E	FY23E
Raw coal prod (mn tn)	602	596	625	669
Coal despatches (mn tn)	581	574	625	669
Vol sold under FSA/MoU (mn tn)	501	466	516	555
Vol sold under E-auction (mn tn)	65	94	95	100
Beneficiated coal vol (mn tn)	11	10	10	10
Vol sold to power utilities (mn tn)	466	-	-	-
Real. / tonne (Rs)	1,537	1,441	1,498	1,526
Total cost per tonne (Rs)	1,227	1,276	1,245	1,340
Cash cost per tonne (Rs)	1,143	1,180	1,220	1,255
Employee cost / tonne (Rs)	639	654	649	676
EBITDA / tonne (Rs)	377	324	291	327
OBR adj / tonne (Rs)	84	92	24	85

Source: Company Data, PL Research

Price Chart
Recommendation History


No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	14-Feb-21	Hold	143	134
2	13-Jan-21	Hold	143	147
3	13-Nov-20	Hold	132	123
4	09-Oct-20	Hold	132	113
5	07-Sep-20	Hold	150	132
6	10-Jul-20	Hold	155	130
7	29-Jun-20	Hold	155	142

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	ACC	BUY	2,150	1,877
2	Ambuja Cement	BUY	375	314
3	Coal India	Hold	143	134
4	Dalmia Bharat	BUY	2,140	1,506
5	Heidelberg Cement India	Reduce	225	251
6	Hindalco Industries	BUY	455	390
7	Hindustan Zinc	Reduce	260	296
8	Jindal Steel & Power	Accumulate	500	457
9	JK Lakshmi Cement	BUY	640	489
10	JSW Steel	Reduce	335	375
11	NMDC	BUY	145	118
12	Shree Cement	Hold	28,070	27,615
13	Steel Authority of India	Accumulate	155	135
14	Tata Steel	Accumulate	1,330	1,101
15	The Ramco Cements	Reduce	945	973
16	Ultratech Cement	BUY	7,500	6,403

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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