Prabhudas Lilladher
POWERING YOUR FINANCIAL GROWTH

Coal India (COAL IN)

Rating: ACCUMULATE | CMP: Rs163 | TP: Rs172

February 18, 2022

Q3FY22 Result Update

☑ Change in Estimates | ■ Target | ■ Reco

Change in Estimates

	Current		Previous	
	FY23E	FY24E	FY23E	FY24E
Rating	**ACCUMULATE**		**ACCUMULATE**	
Target Price	**172**		**172**	
Sales (Rs. m)	1,226,678	1,285,215	1,179,483	1,262,483
% Chng.	*4.0*	*1.8*		
EBITDA (Rs. m)	301,834	330,976	301,951	347,491
% Chng.	-	*(4.8)*		
EPS (Rs.)	27.4	28.8	28.4	32.2
% Chng.	*(3.4)*	*(10.7)*		

Key Financials - Consolidated

Y/e Mar	FY21	FY22E	FY23E	FY24E
Sales (Rs. bn)	900	1,075	1,227	1,285
EBITDA (Rs.bn)	200	259	302	331
Margin (%)	*22.2*	*24.1*	*24.6*	*25.8*
PAT (Rs. bn)	127	145	169	177
EPS (Rs.)	20.6	23.6	27.4	28.8
Gr. (%)	*(24.7)*	*14.8*	*16.2*	*4.9*
DPS (Rs.)	16.0	18.1	19.3	20.3
Yield (%)	*9.8*	*11.1*	*11.9*	*12.4*
RoE (%)	*36.9*	*37.9*	*40.8*	*39.1*
RoCE (%)	*36.7*	*37.0*	*41.7*	*41.1*
EV/Sales (x)	0.9	0.7	0.6	0.6
EV/EBITDA (x)	4.3	2.7	2.4	2.1
PE (x)	7.9	6.9	5.9	5.7
P/BV (x)	2.8	2.5	2.4	2.1

Key Data — COAL.BO | COAL IN

52-W High / Low	Rs.207 / Rs.123
Sensex / Nifty	57,892 / 17,305
Market Cap	Rs.1,005bn/ $ 13,378m
Shares Outstanding	6,163m
3M Avg. Daily Value	Rs.2002.29m

Shareholding Pattern (%)

Promoter's	66.13
Foreign	6.59
Domestic Institution	21.26
Public & Others	6.02
Promoter Pledge (Rs bn)	-

Stock Performance (%)

	1M	6M	12M
Absolute	(0.4)	17.1	20.6
Relative	5.5	12.8	7.7

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In line with estimates; Price hike to materialise

Quick Pointers:

- E-auction premium over notified prices more than doubled to 100% in Dec-Jan
- Targeting FY22 despatch at 660-670mnt (+87-97mnt YoY) and production>630mnt (>34mnt YoY)

Coal India (COAL) Q3FY22 EBITDA above our/consensus estimates (CE) by 3%/7%. Adj. EBITDA grew 16% YoY to Rs73.9bn (PLe:Rs73.1bn), driven by 3% expansion in margins and 13% volume growth.

COAL displayed strong performance on sales volume over last six months. However, delay in price hike of FSA (85% total volumes) remained a dampener. Though delayed, we believe that price hike is inevitable in wake of steep rise in global prices, significant increase in costs and a long gap of almost four years since last increase. On the balancing side, strong pick-up in E-auction realisations helped to negate the absence of increase in FSA prices partially. Underpinned by improved operational performance and better outlook on both FSA and E-auction prices, we maintain Accumulate rating with TP of Rs172., EV/EBITDA of 3.0x FY23e.

- **Liquidation of inventory continues:** Volumes grew 13% YoY to 173.9mnt (PLe:174.2mnt) against 4.5% growth in production at 163.8mnt. FSA volumes grew 17.4% to 145mnt (PLe:150mnt) while E-auction/washed coal volumes fell 4.8%/30% YoY at 26mnt/2mnt (PLe:22mnt/2mnt).
- **E-auction realisations up striogly** FSA realisations grew 1% YoY (down 1% QoQ) at Rs1,370 (PLe:Rs1,370). E-auction realisations grew sharply by 33% YoY (+22% QoQ) at Rs1,947 (PLe:Rs1,600). Washed coal realisations increased 27% YoY (down 10% QoQ) to Rs3,402 (PLe:Rs3,000). Hence, blended realisations grew 6.3% YoY (+3.6% QoQ) to Rs1,496 (PLe:Rs1,422).
- **Higher than expectred realisations partially offset by higher cost:** Cash cost (adj. for non-cash OBR adjustment and provisions) increased 7.5% YoY at Rs1,210/t (PLe:Rs1,142) due to higher stores and spares, employee and other overheads. While, Reported cost increased by 3% YoY at Rs1,243 (PLe:Rs1,180) aided by 22%/100% fall in OBR/provisions. Higher realisations and limited increase in costs drove 32% growth in Reported EBITDA at Rs68.2bn (PLe:Rs66.3bn). Aided by 728bps reduction in tax rate at 27.7%, PAT grew 48% YoY at Rs45.6bn (PLe:Rs44.4bn, CE:Rs43.4bn).
- **Key takeaways from concall: 1)** Debtors reduced by 10% QoQ and 32% in 9MFY22 to Rs134.3bn with a target to reduce it below Rs100bn by FY22 end 2) Targeting despatches of 700mnt in FY23e 3) Negotiations of pending wage revision of non-executive employees,, effective from 1st July, 2021, would conclude by FY23 end 4) Providing Rs1bn/month for the wage revision in employee cost **5)** Capex guidance of Rs155-160bn (spent Rs105bn in 9M) for FY22e, followed by Rs170bn+ for FY23e **6)** Will invest Rs260-270bn on setting up Aluminium smelter in Odisha with majority stake in the project **7)** Cash balance increased 6% Q0Q/68.5% in 9-months to Rs291bn.

Exhibit 1: Q3FY22 Result Overview (Rs m)

Y/e March	Q3FY22	Q3FY21	YoY gr. (%)	Q2FY22	9MFY22	9MFY21	YoY gr. (%)
Net operating revenue	**2,59,910**	**2,17,083**	***19.7***	**2,12,925**	**7,05,771**	**5,81,995**	***21.3***
Other operating income	24,425	19,778	*23.5*	19,986	64,296	51,264	*25.4*
Revenue (including other operating income)	**2,84,335**	**2,36,860**	***20.0***	**2,32,911**	**7,70,067**	**6,33,259**	***21.6***
(Accretion)/Decretion in Stocks	8,930	(5,046)	*(277.0)*	14,676	45,694	(1,676)	
Consumption of stores and spares	23,895	19,715	*21.2*	19,210	62,227	52,123	*19.4*
Employees' Remuneration & Benefits	99,363	93,540	*6.2*	95,482	2,98,782	2,80,726	*6.4*
Power & Fuel	7,170	6,433	*11.5*	6,973	20,322	19,230	*5.7*
CSR expenses	1,536	909	*68.9*	752	3,456	2,736	*26.3*
Repairs	3,773	3,207	*17.7*	3,174	9,554	8,824	*8.3*
Contractual Expenses	51,942	43,515	*19.4*	39,923	1,32,090	1,11,871	*18.1*
Miscellaneous expenses	13,870	11,054	*25.5*	11,203	36,020	29,905	*20.4*
Overburden Removal Adjustment	5,600	6,858	*(18.3)*	688	3,715	(1,420)	*(361.7)*
Provision and write off	-	5,029	*(100.0)*	1,408	2,089	9,026	*(76.9)*
Total Cost of Sales	2,16,080	1,85,213	*16.7*	1,93,488	6,13,950	5,11,345	*20.1*
EBITDA	**68,255**	**51,648**	***32.2***	**39,423**	**1,56,117**	**1,21,913**	***28.1***
as a % of Sales	*26.3*	*23.8*		*18.5*	*22.1*	*20.9*	
Depreciation	10,413	9,159	*13.7*	9,344	30,163	26,208	*15.1*
EBIT	**57,842**	**42,489**	***36.1***	**30,079**	**1,25,954**	**95,705**	***31.6***
Interest	1,316	1,554	*(15.3)*	1,414	4,206	4,857	*(13.4)*
PBT (before other income)	**56,526**	**40,935**	***38.1***	**28,666**	**1,21,748**	**90,848**	***34.0***
Other Income	6,529	6,486	*0.7*	7,818	21,156	25,184	*(16.0)*
PBT before extraordinaries	**63,054**	**47,421**	***33.0***	**36,483**	**1,42,904**	**1,16,032**	***23.2***
Exceptional items	-	-		-	-	-	
PBT after extraordinaries	**63,054**	**47,421**	***33.0***	**36,483**	**1,42,904**	**1,16,032**	***23.2***
Provision for Taxation	17,457	16,581	*5.3*	7,105	36,176	34,899	*3.7*
Reported PAT	**45,597**	**30,840**	***47.9***	**29,378**	**1,06,728**	**81,133**	***31.5***
Adjusted PAT	**45,597**	**30,840**	***47.9***	**29,378**	**1,06,728**	**81,133**	***31.5***

Source: Company, PL

Exhibit 2: Operating Metrics

Y/e March (Rs mn)	Q3FY22	Q3FY21	YoY gr. (%)	Q2FY22	9MFY22	9MFY21	YoY gr. (%)
Coal production (m tonnes)	163.8	156.8	*4.5*	125.8	413.6	392.8	*5.3*
Coal sales volume (m tonnes)	173.8	153.9	*12.9*	147.4	481.6	408.2	*18.0*
Net realisation (Excl. Other Operating Income)	**1,496**	**1,411**	***6.0***	**1,444**	**1,465**	**1,426**	***2.8***
Realisation (Inc. Other Operating Income)	1,636	1,540	*6.3*	1,580	1,599	1,551	*3.1*
Total cost/tonne	1,243	1,204	*3.3*	1,312	1,275	1,253	*1.8*
Cash cost/t (excluding OBR and Provisions)	**1,211**	**1,127**	***7.5***	**1,298**	**1,263**	**1,234**	***2.3***
EBITDA/tonne	393	336	*17.0*	267	324	299	*8.5*
Adjusted EBITDA/tonne	**425**	**413**	***2.9***	**282**	**336**	**317**	***6.0***
Sales volume mix (m tonnes)							
FSA	144.6	123.1	*17.4*	118.0	390.1	333.5	*17.0*
E-auction	26.0	27.3	*(4.8)*	27.0	83.2	65.5	*27.0*
Washed coal	2.0	2.9	*(29.9)*	1.2	5.2	7.3	*(29.6)*
Realisation per tonne (Rs)							
FSA	1,370	1,354	*1.1*	1,382	1,381	1,374	*0.5*
E-auction	1,947	1,466	*32.8*	1,594	1,695	1,488	*13.9*
Washed coal	3,402	2,690	*26.5*	3,782	3,242	2,739	*18.3*

Source: Company, PL

Financials

Income Statement (Rs m)

Y/e Mar	FY21	FY22E	FY23E	FY24E
Net Revenues	**900,260**	**1,075,088**	**1,226,678**	**1,285,215**
YoY gr. (%)	*(6.3)*	*19.4*	*14.1*	*4.8*
Cost of Goods Sold	55,164	95,806	106,131	114,750
Gross Profit	845,096	979,282	1,120,547	1,170,465
Margin (%)	*93.9*	*91.1*	*91.3*	*91.1*
Employee Cost	386,977	399,029	454,135	444,371
Other Expenses	232,499	292,223	332,823	360,447
EBITDA	**200,238**	**258,808**	**301,834**	**330,976**
YoY gr. (%)	*(26.2)*	*29.2*	*16.6*	*9.7*
Margin (%)	*22.2*	*24.1*	*24.6*	*25.8*
Depreciation and Amortization	51,593	99,586	114,789	130,716
EBIT	**148,645**	**159,222**	**187,045**	**200,260**
Margin (%)	*16.5*	*14.8*	*15.2*	*15.6*
Net Interest	6,447	5,895	6,746	7,028
Other Income	37,924	43,274	48,125	46,298
Profit Before Tax	**180,122**	**196,601**	**228,425**	**239,531**
Margin (%)	*20.0*	*18.3*	*18.6*	*18.6*
Total Tax	52,771	51,116	59,390	62,278
Effective tax rate (%)	*29.3*	*26.0*	*26.0*	*26.0*
Profit after tax	**127,351**	**145,484**	**169,034**	**177,253**
Minority interest	-	-	-	-
Share Profit from Associate	-	-	-	-
Adjusted PAT	**126,759**	**145,484**	**169,034**	**177,253**
YoY gr. (%)	*(24.7)*	*14.8*	*16.2*	*4.9*
Margin (%)	*14.1*	*13.5*	*13.8*	*13.8*
Extra Ord. Income / (Exp)	592	-	-	-
Reported PAT	**127,351**	**145,484**	**169,034**	**177,253**
YoY gr. (%)	*(24.4)*	*14.2*	*16.2*	*4.9*
Margin (%)	*14.1*	*13.5*	*13.8*	*13.8*
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	127,351	145,484	169,034	177,253
Equity Shares O/s (m)	**6,163**	**6,163**	**6,163**	**6,163**
EPS (Rs)	**20.6**	**23.6**	**27.4**	**28.8**

Source: Company Data, PL Research

Balance Sheet Abstract (Rs m)

Y/e Mar	FY21	FY22E	FY23E	FY24E
Non-Current Assets				
Gross Block	**600,934**	**737,032**	**882,686**	**1,010,979**
Tangibles	600,934	737,032	882,686	1,010,979
Intangibles	-	-	-	-
Acc: Dep / Amortization	**176,881**	**220,365**	**273,006**	**334,550**
Tangibles	176,881	220,365	273,006	334,550
Intangibles	-	-	-	-
Net fixed assets	**424,052**	**516,667**	**609,680**	**676,429**
Tangibles	424,052	516,667	609,680	676,429
Intangibles	-	-	-	-
Capital Work In Progress	104,898	120,020	136,204	150,459
Goodwill	-	-	-	-
Non-Current Investments	118,418	131,418	144,418	157,418
Net Deferred tax assets	40,594	40,594	40,594	40,594
Other Non-Current Assets	46,260	47,260	48,260	49,260
Current Assets				
Investments	36,326	36,326	36,326	36,326
Inventories	89,475	53,139	81,779	85,884
Trade receivables	196,231	107,673	123,206	128,361
Cash & Bank Balance	173,103	300,689	269,419	294,723
Other Current Assets	323,653	332,042	354,265	361,641
Total Assets	**1,581,471**	**1,714,288**	**1,872,611**	**2,009,555**
Equity				
Equity Share Capital	61,627	61,627	61,627	61,627
Other Equity	303,546	340,401	365,424	417,700
Total Networth	**365,174**	**402,028**	**427,051**	**479,327**
Non-Current Liabilities				
Long Term borrowings	26,957	33,829	33,829	33,829
Provisions	631,786	667,980	729,363	787,894
Other non current liabilities	56,473	61,473	66,473	71,473
Current Liabilities				
ST Debt / Current of LT Debt	31,872	-	-	-
Trade payables	76,376	113,057	129,366	134,779
Other current liabilities	408,105	449,699	498,944	514,216
Total Equity & Liabilities	**1,610,576**	**1,743,393**	**1,901,716**	**2,038,661**

Source: Company Data, PL Research

Cash Flow (Rs m)

Y/e Mar	FY21	FY22E	FY23E	FY24E
PBT	180,092	196,601	228,425	239,531
Add. Depreciation	37,089	43,484	52,641	61,544
Add. Interest	-	-	-	-
Less Financial Other Income	37,924	43,274	48,125	46,298
Add. Other	1,599	32,167	35,008	45,012
Op. profit before WC changes	218,780	272,252	316,073	346,087
Net Changes-WC	(56,552)	176,900	36	(6,152)
Direct tax	(56,630)	(51,116)	(59,390)	(62,278)
Net cash from Op. activities	**105,599**	**398,035**	**256,719**	**277,656**
Capital expenditures	(109,875)	(151,220)	(161,838)	(142,548)
Interest / Dividend Income	24,439	20,296	24,606	22,200
Others	96,392	-	-	-
Net Cash from Invt. activities	**10,955**	**(130,925)**	**(137,232)**	**(120,348)**
Issue of share cap. / premium	-	-	-	-
Debt changes	(5,508)	(25,000)	-	-
Dividend paid	(77,064)	(108,630)	(144,011)	(124,976)
Interest paid	(1,982)	(5,895)	(6,746)	(7,028)
Others	-	5,000	5,000	5,000
Net cash from Fin. activities	**(84,554)**	**(134,525)**	**(145,757)**	**(127,004)**
Net change in cash	**32,000**	**132,586**	**(26,270)**	**30,304**
Free Cash Flow	215,474	549,256	418,557	420,205

Source: Company Data, PL Research

Quarterly Financials (Rs m)

Y/e Mar	Q4FY21	Q1FY22	Q2FY22	Q3FY22
Net Revenue	**267,001**	**252,822**	**232,911**	**284,335**
YoY gr. (%)	*(3.1)*	*36.8*	*10.1*	*20.0*
Raw Material Expenses	-	-	-	-
Gross Profit	267,001	252,822	232,911	284,335
Margin (%)	*100.0*	*100.0*	*100.0*	*100.0*
EBITDA	**63,821**	**48,439**	**39,423**	**68,255**
YoY gr. (%)	*(5.2)*	*58.7*	*(0.8)*	*32.2*
Margin (%)	*23.9*	*19.2*	*16.9*	*24.0*
Depreciation / Depletion	10,881	10,406	9,344	10,413
EBIT	**52,940**	**38,033**	**30,079**	**57,842**
Margin (%)	*19.8*	*15.0*	*12.9*	*20.3*
Net Interest	1,590	1,476	1,414	1,316
Other Income	12,740	6,810	7,818	6,529
Profit before Tax	**64,090**	**43,366**	**36,483**	**63,054**
Margin (%)	*24.0*	*17.2*	*15.7*	*22.2*
Total Tax	18,172	11,614	7,105	17,457
Effective tax rate (%)	*28.4*	*26.8*	*19.5*	*27.7*
Profit after Tax	**45,918**	**31,752**	**29,378**	**45,597**
Minority interest	(22)	(43)	42	19
Share Profit from Associates	-	-	-	-
Adjusted PAT	**45,918**	**31,752**	**29,378**	**45,597**
YoY gr. (%)	*(0.7)*	*52.8*	*(0.4)*	*47.9*
Margin (%)	*17.2*	*12.6*	*12.6*	*16.0*
Extra Ord. Income / (Exp)	22	43	(42)	(19)
Reported PAT	**45,940**	**31,795**	**29,336**	**45,579**
YoY gr. (%)	*(0.4)*	*53.1*	*(0.7)*	*47.9*
Margin (%)	*17.2*	*12.6*	*12.6*	*16.0*
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	**45,940**	**31,795**	**29,336**	**45,579**
Avg. Shares O/s (m)	-	-	-	-
EPS (Rs)	**-**	**-**	**-**	**-**

Source: Company Data, PL Research

Key Financial Metrics

Y/e Mar	FY21	FY22E	FY23E	FY24E
Per Share(Rs)				
EPS	20.6	23.6	27.4	28.8
CEPS	28.9	39.8	46.1	50.0
BVPS	59.3	65.2	69.3	77.8
FCF	35.0	89.1	67.9	68.2
DPS	16.0	18.1	19.3	20.3
Return Ratio(%)				
RoCE	36.7	37.0	41.7	41.1
ROIC	12.7	15.1	16.1	16.5
RoE	36.9	37.9	40.8	39.1
Balance Sheet				
Net Debt : Equity (x)	(0.4)	(0.8)	(0.6)	(0.6)
Net Working Capital (Days)	85	16	23	23
Valuation(x)				
PER	7.9	6.9	5.9	5.7
P/B	2.8	2.5	2.4	2.1
P/CEPS	5.6	4.1	3.5	3.3
EV/EBITDA	4.3	2.7	2.4	2.1
EV/Sales	0.9	0.7	0.6	0.6
Dividend Yield (%)	9.8	11.1	11.9	12.4

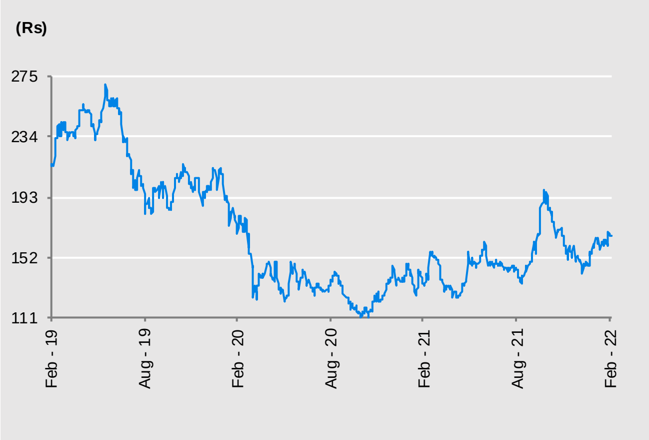
Source: Company Data, PL Research

Key Operating Metrics

Y/e Mar	FY21	FY22E	FY23E	FY24E
Raw coal prod (mn tn)	596	660	696	738
Coal despatches (mn tn)	574	660	696	738
Vol sold under FSA/MoU (mn tn)	466	533	577	614
Vol sold under E-auction (mn tn)	94	113	105	110
Beneficiated coal vol (mn tn)	10	11	11	11
Vol sold to power utilities (mn tn)	445			
Real. / tonne (Rs)	1,440	1,489	1,615	1,587
Total cost per tonne (Rs)	1,281	1,244	1,322	1,417
Cash cost per tonne (Rs)	1,185	1,219	1,237	1,328
Employee cost / tonne (Rs)	654	649	605	652
EBITDA / tonne (Rs)	323	307	344	355
OBR adj / tonne (Rs)	92	24	85	89

Source: Company Data, PL Research

Price Chart



Recommendation History

No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	11-Jan-22	Accumulate	172	161
2	7-Oct-21	Accumulate	164	191
3	8-Sep-21	Accumulate	164	147
4	13-Aug-21	Accumulate	164	144
5	8-Jul-21	Hold	160	146
6	18-Jun-21	Hold	160	152

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	ACC	BUY	2,370	2,151
2	Ambuja Cement	BUY	440	399
3	Coal India	Accumulate	172	161
4	Dalmia Bharat	Accumulate	2,130	1,785
5	Heidelberg Cement India	Reduce	200	215
6	Hindalco Industries	BUY	645	547
7	Hindustan Zinc	Reduce	288	330
8	Jindal Steel & Power	BUY	555	417
9	JK Lakshmi Cement	Hold	663	559
10	JSW Steel	Accumulate	760	666
11	NMDC	Accumulate	175	156
12	Shree Cement	Hold	26,830	24,724
13	Steel Authority of India	Accumulate	152	110
14	Tata Steel	BUY	1,745	1,183
15	The Ramco Cements	Hold	925	897
16	Ultratech Cement	Accumulate	8,535	7,870

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

ANALYST CERTIFICATION

(Indian Clients)

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