

## Muted operational performance...

**About the stock:** Coal India (CIL) is the world's largest pure play coal producer. In FY21, CIL produced 596 million tonnes (MT) while offtake for FY21 was at 574 MT.

- CIL has 345 mines (as on April 1, 2021) of which 151 are underground, 172 open cast and 22 mixed mines
- CIL has extensive mining capabilities. It has advanced technology in open cast mining

**Q2FY22 Results:** Coal India (CIL) reported a subdued performance for Q2FY22 on account of lower-than-expected FSA realisation and e-auction realisation.

- During the quarter, FSA realisation, e-auction realisation was lower than our estimate. FSA realisation for Q2FY22 was at ₹ 1382/tonne (down 2% YoY, 1% QoQ), lower than our estimate of ₹ 1425/tonne & e-auction realisations for Q2FY22 were at ₹ 1593/tonne (up 2% QoQ, 11% YoY), lower than our estimate of ₹ 2000/tonne
- For Q2FY22, CIL's consolidated revenue from operations were at ₹ 23291 crore (up 10% YoY but down 8% QoQ), lower than our estimate of ₹ 24760 crore. Consolidated EBITDA was at ₹ 3942 crore (down 1% YoY, 19% QoQ), lower than our estimate of ₹ 4791 crore. Consolidated EBITDA margin for Q2FY22 was at 16.9% lower than our estimate of 19.3% (18.8% in Q2FY21 and 19.2% in Q1FY22). Consolidated PAT for Q2FY22 was at ₹ 2933 crore, down 1% YoY & 8% QoQ, lower than our estimate of ₹ 3211 crore

**What should investors do?** CIL's share price has given a return of ~21% in the last 12 months (from ~₹ 129 in November 2020 to ~₹ 156 levels in November 2021).

- We maintain our HOLD rating on the stock

**Target Price and Valuation:** We value CIL at ₹ 160, 4.5x FY23E EV/EBITDA

### Key triggers for future price performance:

- We expect EBITDA margins to hover at ~20% in the next couple of years (19.8% for FY22E & 19.7% in FY23E). FY21 EBITDA margin was at 20.6%
- Over FY21-23E, we expect the topline to grow at 12% CAGR while EBITDA and PAT are expected to register a CAGR of 9% and 16%, respectively

**Alternate Stock Idea:** In our mining sector coverage, we like NMDC.

- NMDC is India's largest merchant iron ore miner
- BUY with a target price of ₹ 175



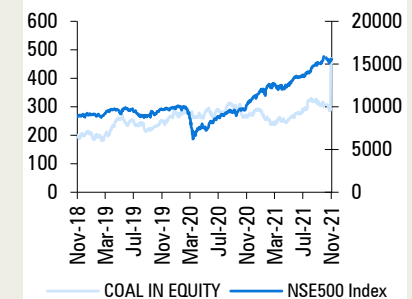
### Particulars

Particular	Amount
Market Capitalization	₹ 96898 crore
Total Debt (FY21)	₹ 5875 crore
Cash and Investments (FY21)	₹ 9583 crore
EV	₹ 93190 crore
52 week H/L	204 / 120
Equity capital	₹ 6162.7 crore
Face value	₹ 10

### Shareholding Pattern

(in %)	Sep-20	Dec-20	Mar-21	Jun-21	Sep-21
Promoter	66.1	66.1	66.1	66.1	66.1
FIs	7.2	6.5	6.5	6.6	6.7
DIs	21.9	22.2	21.9	21.5	22.0
Others	4.8	5.2	5.5	5.8	5.1
Total	100	100	100	100	100

### Price Chart



### Key Risks

- Higher than expected increase in operating costs can lead to lower than expected operating margins
- Higher than expected offtake can lead to better than expected financial performance

### Research Analyst

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### Key Financial Summary

(₹ Crore)	FY18	FY19	FY20	FY21	CAGR (FY16-FY21)	FY22E	FY23E	CAGR (FY21-FY23E)
Total Operating Income	85,244	99,586	96,080	90,026	2.9%	1,04,536	1,12,001	11.5%
EBITDA	9,288	25,006	21,581	18,574	0.3%	20,734	22,081	9.0%
EBITDA Margin (%)	10.9	25.1	22.5	20.6		19.8	19.7	
PAT	7,038	17,464	16,700	12,702	-8.3%	15,473	17,067	15.9%
EPS (₹)	11.3	28.3	27.1	20.6		25.1	27.7	
EV/EBITDA (x)	7.0	2.6	3.4	4.4		4.3	4.2	
RoCE (%)	40.8	86.3	54.6	42.3		41.7	39.8	
RoE (%)	34.9	66.0	51.9	34.8		36.7	35.5	

Source: Company, ICICI Direct Research

Exhibit 1: Variance Analysis

	Q2FY22	Q2FY22E	Q2FY21	YoY (%)	Q1FY22	QoQ (%)	Comments
<b>Total Operating Income</b>	<b>23291</b>	<b>24760</b>	<b>21153</b>	<b>10</b>	<b>25282</b>	<b>-8</b>	Topline came in lower than our estimate
Other Income	782	700	1085	-28	681	15	
<b>Total Expenditure</b>	<b>19349</b>	<b>19969</b>	<b>17178</b>	<b>13</b>	<b>20438</b>	<b>-5</b>	
EBITDA	3942	4791	3975	-1	4844	-19	EBITDA came in lower than our estimate
EBITDA Margin (%)	16.9	19.3	18.8	-186 bps	19.2	-223 bps	
Depreciation	934	1050	852	10	1041	-10	
Interest	141	150	147	-4	148	-4	
Share of JV	-5	0	1	-742	-1	369	
<b>PBT</b>	<b>3643</b>	<b>4291</b>	<b>4061</b>	<b>-10</b>	<b>4336</b>	<b>-16</b>	
Total Tax	711	1080	1109	-36	1161	-39	
<b>PAT</b>	<b>2933</b>	<b>3211</b>	<b>2952</b>	<b>-1</b>	<b>3174</b>	<b>-8</b>	PAT came in lower than our estimate
<b>Key Metrics</b>							
Coal Sales (million tonne)	147	147	134	10	160	-8	Sales volumes came in line with our estimate
FSA Volumes	118	116	108	9	127	-7	FSA sales volume came broadly in line with our estimate
FSA Realisations	1382	1425	1412	-2	1394	-1	FSA realisations came in lower than our estimate
E-auction volumes	27	27	22	23	30	-11	E-auction sales volume came in line with our estimate
E-auction realisations	1593	2000	1437	11	1569	2	E-auction realisations came in lower than our estimate
EBITDA/tonne	267	325	297	-10	302	-11	

Source: Company, ICICI Direct Research

Peer comparison

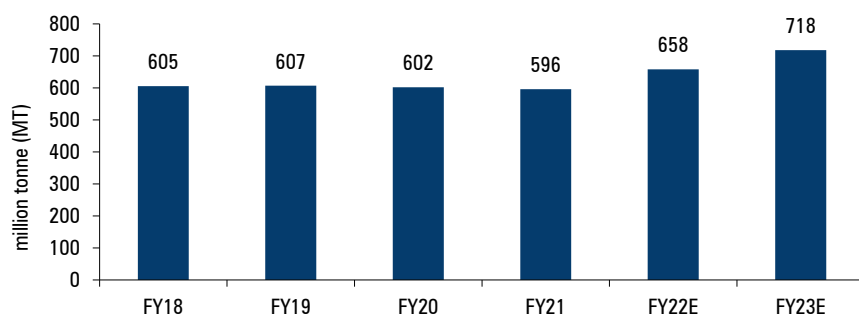
Exhibit 2: Peer Comparison

Company	CMP	TP	Mcap	Topline(in ₹ crore)			EBITDA (in ₹crore)			Adj. PAT(in ₹ crore)			P/E(x)			EV/EBITDA(x)			
	(₹)	(₹)		Rating	FY21	FY22E	FY23E	FY21	FY22E	FY23E	FY21	FY22E	FY23E	FY21	FY22E	FY23E	FY21	FY22E	FY23E
Coal India	156	160	Hold	96898	90026	104536	112001	18,574	20,734	22,081	12,702	15,473	17,067	7.6	6.2	5.6	4.4	4.3	4.2
NMDC	138	175	Buy	40486	15370	25430	18213	8,796	13,389	7,985	6,253	10,168	6,050	6.6	4.0	6.8	4.2	2.7	4.3

Source: Company, ICICI Direct Research

## Financial story in charts

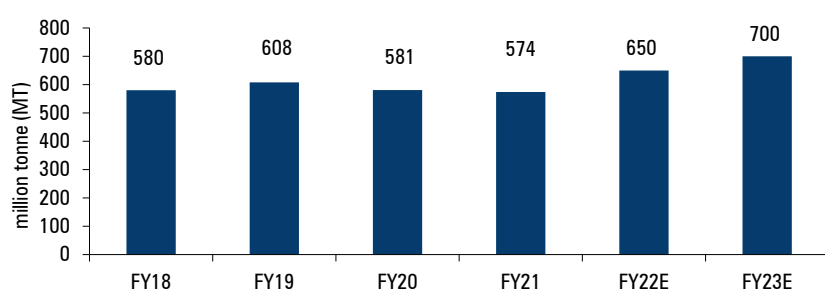
Exhibit 3: Trend in production



Model coal production of 668 MT for FY22E and 718 MT for FY23E

Source: Company, ICICI Direct Research

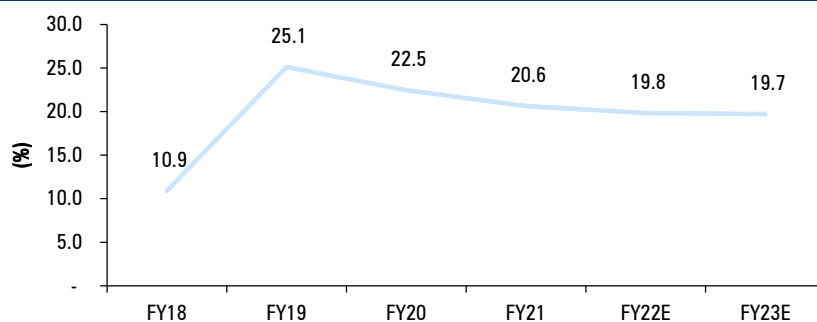
Exhibit 4: Trend in offtake



Model coal offtake of 650 MT for FY22E and 700 MT for FY23E

Source: Company, ICICI Direct Research

Exhibit 5: Trend in reported consolidated EBITDA margin (in %)



Over the next couple of years i.e. for FY22E and FY23E, we expect EBITDA margin to hover at ~20%

Source: Company, ICICI Direct Research

Exhibit 6: Valuation

	Op. Inc.	Growth	EPS	Growth	PE	EV/EBITDA	RoNW	RoCE
	(₹ cr)	(%)	(₹)	(%)	(x)	(x)	(%)	(%)
FY18	85,244	9.0	11.3	-51.2	13.8	7.0	34.9	40.8
FY19	99,586	16.8	28.3	149.9	5.5	2.6	66.0	86.3
FY20	96,080	-3.5	27.1	-4.4	5.8	3.4	51.9	54.6
FY21	90,026	-6.3	20.6	-23.9	7.6	4.4	34.8	42.3
FY22E	1,04,536	16.1	25.1	21.8	6.2	4.3	36.7	41.7
FY23E	1,12,001	7.1	27.7	10.3	5.6	4.2	35.5	39.8

Source: Company, ICICI Direct Research

## Financial summary

Exhibit 7: Profit and loss statement				
	₹ crore			
(Year-end March)	FY20	FY21	FY22E	FY23E
<b>Total Operating Income</b>	<b>96080</b>	<b>90026</b>	<b>104536</b>	<b>112001</b>
Growth (%)	-3.5	-6.3	16.1	7.1
Total Operating Expenditure	74499	71453	83803	89920
<b>EBITDA</b>	<b>21581</b>	<b>18574</b>	<b>20734</b>	<b>22081</b>
Growth (%)	-13.7	-13.9	11.6	6.5
Depreciation	3451	3709	3802	3897
Interest	503	645	484	363
Other Income	6445	3792	3508	3859
Exceptional Item	1	3	0	0
<b>PBT</b>	<b>24071</b>	<b>18010</b>	<b>21945</b>	<b>24102</b>
Total Tax	7371	5307	6472	7034
<b>PAT</b>	<b>16700</b>	<b>12702</b>	<b>15473</b>	<b>17067</b>
Growth (%)	-4.4	-23.9	21.8	10.3
<b>Adj EPS (₹)</b>	<b>27.1</b>	<b>20.6</b>	<b>25.1</b>	<b>27.7</b>

Source: Company, ICICI Direct Research

Exhibit 8: Cash flow statement				
	₹ crore			
(Year-end March)	FY20	FY21	FY22E	FY23E
<b>Profit after Tax</b>	<b>16700</b>	<b>12702</b>	<b>15473</b>	<b>17067</b>
Add: Depreciation	3451	3709	3802	3897
Add: Interest	503	645	484	363
(Inc)/dec in Current Assets	-19085	-11265	-5593	-7073
Inc/(dec) in CL and Prov.	7935	7595	4829	4565
<b>CF from operating activities</b>	<b>9504</b>	<b>13387</b>	<b>18994</b>	<b>18819</b>
(Inc)/dec in Investments	1197	-3977	0	3633
(Inc)/dec in Fixed Assets	-6287	-13115	-15000	-15000
Others	743	435	-1000	-1000
<b>CF from investing activities</b>	<b>-4347</b>	<b>-16658</b>	<b>-16000</b>	<b>-12367</b>
Issue/(Buy back) of Equity	0	0	0	0
Inc/(dec) in loan funds	4223	-551	551	0
Interest Paid	-503	-645	-484	-363
Dividend paid & dividend tax	-7972	-9860	-9860	-11093
Others	-3040	3188	50	50
<b>CF from financing activities</b>	<b>-7292</b>	<b>-7867</b>	<b>-9743</b>	<b>-11405</b>
Net Cash flow	-2136	-11139	-6749	-4954
Opening Cash	30585	28449	17310	10561
<b>Closing Cash</b>	<b>28449</b>	<b>17310</b>	<b>10561</b>	<b>5608</b>

Source: Company, ICICI Direct Research

Exhibit 9: Balance sheet				
	₹ crore			
(Year-end March)	FY20	FY21	FY22E	FY23E
<b>Liabilities</b>				
Equity Share Capital	6163	6163	6163	6163
Reserve and Surplus	25994	30355	35967	41942
Total Shareholders funds	32157	36517	42130	48105
Total Debt	6426	5875	6426	6426
Minority Interest	394	441	491	541
<b>Total Liabilities</b>	<b>38977</b>	<b>42834</b>	<b>49047</b>	<b>55072</b>
<b>Assets</b>				
Net Block	36841	42491	51690	60793
CWIP	8271	10404	12404	14404
Investments	1973	5950	5950	2318
Inventory	6618	8947	8725	8622
Debtors	14408	19623	19939	20614
Loans and Advances	13434	13658	15658	18658
Other Current Assets	37554	41051	44551	48051
Cash	28449	17310	10561	5608
Total Current Assets	100463	100590	99434	101553
Current Liabilities	44346	49301	51631	53696
Provisions	67005	69645	72145	74645
Current Liabilities & Prov	111350	118946	123775	128341
Net Current Assets	-10887	-18356	-24341	-26788
Others	2779	2345	3345	4345
<b>Application of Funds</b>	<b>38977</b>	<b>42834</b>	<b>49047</b>	<b>55072</b>

Source: Company, ICICI Direct Research

Exhibit 10: Key ratios				
	₹ crore			
(Year-end March)	FY20	FY21	FY22E	FY23E
<b>Per share data (₹)</b>				
Adj EPS	27.1	20.6	25.1	27.7
Cash EPS	32.7	26.6	31.3	34.0
BV	52.2	59.3	68.4	78.1
DPS	12.0	16.0	16.0	18.0
Cash Per Share	46.2	28.1	17.1	9.1
<b>Operating Ratios (%)</b>				
EBITDA Margin	22.5	20.6	19.8	19.7
PBT / Total Operating income	25.1	20.0	21.0	21.5
PAT Margin	17.4	14.1	14.8	15.2
Inventory days	32	35	38	35
Debtor days	59	80	75	72
Creditor days	41	49	45	43
<b>Return Ratios (%)</b>				
Adj RoE	51.9	34.8	36.7	35.5
Adj RoCE	54.6	42.3	41.7	39.8
<b>Valuation Ratios (x)</b>				
P/E	5.8	7.6	6.2	5.6
EV / EBITDA	3.4	4.4	4.3	4.2
EV / Net Sales	0.8	0.9	0.8	0.8
Market Cap / Sales	1.0	1.1	0.9	0.9
Price to Book Value	3.0	2.6	2.3	2.0
<b>Solvency Ratios</b>				
Debt/EBITDA	0.3	0.3	0.3	0.3
Debt / Equity	0.2	0.2	0.2	0.1
Current Ratio	0.9	0.8	0.8	0.8
Quick Ratio	0.8	0.8	0.7	0.7

Source: Company, ICICI Direct Research

**Exhibit 11: ICICI Direct coverage universe (Metals and Mining)**

	CMP		TP	Rating	M Cap (₹ Cr)	EPS (₹)			P/E (x)			EV/EBITDA (x)			ROCE(%)			ROE(%)		
	(₹)	(₹)				FY21	FY22E	FY23E	FY21	FY22E	FY23E	FY21	FY22E	FY23E	FY21	FY22E	FY23E	FY21	FY22E	FY23E
Coal India	156	160	Hold	96898	4.4	4.3	4.2	7.6	6.2	5.6	4.4	4.3	4.2	42.3	41.7	39.8	34.8	36.7	35.5	
Hindalco	445	600	Buy	100066	25.5	58.3	59.8	18.3	8.0	7.8	8.7	5.5	5.0	8.8	14.8	14.5	8.5	17.6	15.5	
NMDC	138	175	Buy	40486	21.3	34.7	20.6	6.6	4.0	6.8	4.2	2.7	4.3	27.0	35.1	18.7	21.0	28.6	15.4	
JSW Steel	662	725	Hold	160213	32.9	82.5	66.4	20.1	8.0	9.9	10.5	5.7	6.4	13.8	22.1	15.3	17.0	30.0	19.5	
Ratnamani	2165	2450	Buy	10117	59.0	76.2	98.0	35.9	27.8	21.6	23.5	17.1	13.8	15.7	19.3	20.1	13.9	15.7	17.2	
Graphite Ind.	502	650	Buy	9814	-2.0	31.0	63.0	NA	16.8	8.4	NA	11.1	4.7	-5.4	12.1	23.1	-0.7	12.4	21.2	
Jindal Stainless	183	250	Buy	8921	8.6	26.2	22.7	22.3	7.3	8.5	8.7	5.4	6.3	16.0	25.2	18.1	13.0	29.1	20.1	
Jindal Stainless Hisar	333	488	Buy	7864	29.5	63.9	58.9	11.5	5.3	5.8	8.4	4.7	4.5	18.6	26.7	20.9	23.2	32.4	22.5	
Vardhman Special Steel	261	340	Buy	1055	10.9	24.9	29.5	24.1	10.6	8.9	11.5	6.6	5.8	13.7	21.2	21.1	9.6	18.5	18.3	
Tata Metaliks	941	1300	Buy	2970	69.9	88.9	101.2	15.5	12.1	10.7	8.3	7.1	5.7	24.6	24.9	23.0	17.0	18.1	17.1	

Source: Company, ICICI Direct Research

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Buy: > 15%

Hold: -5% to 15%;

Reduce: -15% to -5%;

Sell: < -15%



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