

August 10, 2022

Q1FY23 Result Update

☑ Change in Estimates | ☑ Target | ■ Reco

Change in Estimates

	Current		Previous	
	FY23E	FY24E	FY23E	FY24E
Rating	ACCUMULATE		ACCUMULATE	
Target Price	255		220	
Sales (Rs. m)	14,29,009	14,66,530	13,49,111	13,79,099
% Chng.	5.9	6.3		
EBITDA (Rs. m)	4,86,760	4,58,594	4,11,206	4,09,587
% Chng.	18.4	12.0		
EPS (Rs.)	52.5	47.8	43.5	41.8
% Chng.	20.7	14.6		

Key Financials - Consolidated

Y/e Mar	FY21	FY22	FY23E	FY24E
Sales (Rs. bn)	900	1,099	1,429	1,467
EBITDA (Rs.bn)	201	287	487	459
Margin (%)	22.3	26.1	34.1	31.3
PAT (Rs. bn)	128	176	324	295
EPS (Rs.)	20.7	28.5	52.5	47.8
Gr. (%)	(24.2)	37.9	84.0	(8.9)
DPS (Rs.)	16.0	17.1	37.0	33.7
Yield (%)	7.3	7.8	16.8	15.3
RoE (%)	37.1	44.1	68.8	53.3
RoCE (%)	36.8	46.0	77.7	59.6
EV/Sales (x)	1.3	0.9	0.7	0.6
EV/EBITDA (x)	6.0	3.6	2.0	2.1
PE (x)	10.6	7.7	4.2	4.6
P/BV (x)	3.7	3.1	2.7	2.3

Key Data

COAL.BO | COAL IN

52-W High / Low	Rs.220 / Rs.133
Sensex / Nifty	58,817 / 17,535
Market Cap	Rs.1,355bn/ \$ 17,038m
Shares Outstanding	6,163m
3M Avg. Daily Value	Rs.2395.98m

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	15.8	30.8	54.6
Relative	7.3	30.0	43.0

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Strong show across the counts

Quick Pointers:

- Positive surprise on FSA realisations continues, the key parameter for sustainability of earnings
- Cash cost declined 2% YoY due to lower employee cost; Excluding employee cost, cost increased 8% YoY to ~Rs690 despite sharp increase in diesel cost

Coal India's (COAL) posted back to back strong set of earnings for 1QFY23 on back of strong realisations in FSA (despite reduced volumes to non-power sector) and E-auction. Reported EBITDA grew 153%/35% YoY/QoQ to Rs122.5bn, ahead of our/consensus estimates (CE) of Rs81.4bn/Rs82.5bn. Adjusted EBITDA (before notional stripping activity adj) grew 74%/2.5% YoY/QoQ to Rs127.6bnbn (PL:Rs92.0bn). QoQ, the growth in Adj. EBITDA is lower due to high stripping cost in Q4FY22 at Rs33.9bn.

COAL displayed strong performance on off-take and FSA realisations over last one year. Delay in increase of FSA prices (85% total volumes) were more than offset by better coal grade management (resulting in higher FSA realisations) and strong E-auction realisations in wake of robust global prices. Investors argue that COAL's costs are understated as wage revision is pending for non-executive employees (94% of total headcount) since July'21, overlooking the fact that FSA prices are also not increased for last four and half years. Usually, upward revision in wages is followed by hike in FSA prices. We increase our FY23e/FY24e EBITDA estimates of COAL by 18%/12% on account of higher FSA and E-auction realisations. Maintain Accumulate rating with revised TP of Rs255 (earlier Rs220) based on EV/EBITDA of 2.5x FY24e.

- Strong growth in FSA volumes at the cost of lower E-auction volumes:** Overall volumes grew 10.7% YoY to 177.7mnt (PL:177.6mnt). FSA volumes grew 20.6% to 154mnt (PL:154mnt) while E-auction/washed coal volumes fell 30.7%/2.6% YoY at 21mnt/2mnt (PL:21mnt/2mnt).
- Beat across the segment on realisations:** FSA realisations grew 3.5% YoY (down 2% QoQ) at Rs1,443 (PL:Rs1,350). E-auction realisations grew sharply by 177%/78% YoY/QoQ at Rs4,340 (PL:Rs3,800). Washed coal realisations increased 62%/24% YoY/QoQ to Rs4,446 (PL:Rs3,700). Hence, blended realisations grew 26%/10% YoY/QoQ to Rs1,829 (PL:Rs1,673).
- Equally strong show on costs helped in optimise the realisations:** Cash cost (adj. for non-cash stripping activity adjustment and provisions) declined 2% YoY at Rs1,257/t (PL:Rs1,295) due to 3% fall in employee cost (50% of total cost) and higher operating leverage. While, Reported cost increased by 1% YoY at Rs1,285 (PL:Rs1,355) due to higher stripping activity adjustment. Aided by 46% increase in other income, PAT grew 179%/32% YoY/QoQ at Rs88.6bn (PL:Rs55.6bn, CE:Rs57.2bn).

Exhibit 1: Q1FY23 Result Overview (Rs m)

Y/e March	Q1FY23	Q1FY22	YoY gr. (%)	Q4FY22	FY23E	FY22	YoY gr. (%)
Net operating revenue	3,24,980	2,32,937	39.5	3,00,463	13,25,661	10,06,234	31.7
Other operating income	25,942	19,885	30.5	26,605	1,03,349	90,901	13.7
Revenue (including other operating income)	3,50,922	2,52,822	38.8	3,27,068	14,29,009	10,97,135	30.2
(Accretion)/Decretion in Stocks	30,573	22,088	38.4	(22,609)	-	23,085	
Consumption of stores and spares	13,903	19,122	(27.3)	33,230	1,12,940	95,457	18.3
Employees' Remuneration & Benefits	1,00,727	1,03,936	(3.1)	1,08,226	4,68,772	4,07,008	15.2
Power & Fuel	6,267	6,180	1.4	6,062	32,703	26,385	23.9
CSR expenses	327	1,168	(72.0)	2,034	6,372	5,490	16.1
Repairs	3,021	2,608	15.9	5,474	17,272	15,028	14.9
Contractual Expenses	55,657	40,225	38.4	56,579	2,44,481	1,88,669	29.6
Miscellaneous expenses	12,890	10,947	17.7	13,636	57,632	49,657	16.1
Overburden Removal Adjustment	4,820	(2,572)	(287.4)	33,893	44,496	37,609	18.3
Provision and write off	229	681	(66.4)	(246)	2,077	1,843	12.7
Total Cost of Sales	2,28,413	2,04,383	11.8	2,36,280	9,86,746	8,50,230	16.1
EBITDA	1,22,508	48,439	152.9	90,788	4,42,264	2,46,905	79.1
<i>as a % of Sales</i>	<i>37.7</i>	<i>20.8</i>		<i>30.2</i>	<i>33.4</i>	<i>24.5</i>	
Depreciation	9,938	10,406	(4.5)	14,124	50,814	44,287	14.7
EBIT	1,12,571	38,033	196.0	76,665	3,91,449	2,02,618	93.2
Interest	1,502	1,476	1.8	1,209	7,954	5,415	46.9
PBT (before other income)	1,11,069	36,557	203.8	75,456	3,83,495	1,97,204	94.5
Other Income	9,945	6,810	46.0	17,889	54,021	39,045	38.4
PBT before extraordinary	1,21,014	43,366	179.0	93,345	4,37,516	2,36,249	85.2
Exceptional items	-	-		-	-	-	
PBT after extraordinary	1,21,014	43,366	179.0	93,345	4,37,516	2,36,249	85.2
Provision for Taxation	32,432	11,614	179.2	26,203	1,13,754	62,379	82.4
Reported PAT	88,582	31,752	179.0	67,142	3,23,762	1,73,870	86.2
Adjusted PAT	88,582	31,752	179.0	67,142	3,23,762	1,73,870	86.2

Source: Company, PL

Exhibit 2: Operating Metrics

Y/e March (Rs mn)	Q1FY23	Q1FY22	YoY gr. (%)	Q4FY22	FY23E	FY22	YoY gr. (%)
Coal production (m tonnes)	159.8	124.0	28.9	209.0	699.0	622.6	12.3
Coal sales volume (m tonnes)	177.7	160.6	10.7	181.1	699.0	662.3	5.5
Net realisation (Excl. Other Operating Income)	1,829	1,451	26.0	1,659	1,896	1,519	24.8
Realisation (Inc. Other Operating Income)	1,975	1,575	25.4	1,806	2,044	1,657	23.4
Total cost/tonne	1,285	1,273	1.0	1,305	1,412	1,284	10.0
Cash cost/t (excluding OBR and Provisions)	1,257	1,285	(2.2)	1,119	1,345	1,224	9.9
EBITDA/tonne	689	302	128.5	501	633	373	69.7
Adjusted EBITDA/tonne	718	290	147.6	687	699	432	61.7
Sales volume mix (m tonnes)							
FSA	153.8	127.5	20.6	150.1	623.5	540.2	15.4
E-auction	20.9	30.2	(30.7)	27.7	68.0	110.8	(38.6)
Washed coal	1.9	1.9	(2.6)	2.2	7.6	7.4	2.8
Realisation per tonne (Rs)							
FSA	1,443	1,394	3.5	1,474	1,463	1,407	4.0
E-auction	4,340	1,569	176.6	2,434	5,500	1,879	192.6
Washed coal	4,446	2,737	62.4	3,588	4,159	3,346	24.3

Source: Company, PL

Financials

Income Statement (Rs m)

Y/e Mar	FY21	FY22	FY23E	FY24E
Net Revenues	9,00,260	10,99,205	14,29,009	14,66,530
YoY gr. (%)	(6.3)	22.1	30.0	2.6
Cost of Goods Sold	55,196	1,18,542	1,12,940	1,22,113
Gross Profit	8,45,064	9,80,663	13,16,070	13,44,417
Margin (%)	93.9	89.2	92.1	91.7
Employee Cost	3,85,924	4,07,008	4,68,772	4,95,023
Other Expenses	2,33,095	2,60,686	3,27,834	3,55,094
EBITDA	2,00,798	2,86,584	4,86,760	4,58,594
YoY gr. (%)	(26.0)	42.7	69.8	(5.8)
Margin (%)	22.3	26.1	34.1	31.3
Depreciation and Amortization	51,682	81,895	95,311	1,09,248
EBIT	1,49,116	2,04,688	3,91,449	3,49,345
Margin (%)	16.6	18.6	27.4	23.8
Net Interest	6,422	5,415	7,954	8,110
Other Income	37,924	39,045	54,021	57,235
Profit Before Tax	1,80,618	2,38,319	4,37,516	3,98,471
Margin (%)	20.1	21.7	30.6	27.2
Total Tax	52,479	62,379	1,13,754	1,03,603
Effective tax rate (%)	29.1	26.2	26.0	26.0
Profit after tax	1,28,139	1,75,940	3,23,762	2,94,869
Minority interest	-	-	-	-
Share Profit from Associate	-	-	-	-
Adjusted PAT	1,27,547	1,75,940	3,23,762	2,94,869
YoY gr. (%)	(24.2)	37.9	84.0	(8.9)
Margin (%)	14.2	16.0	22.7	20.1
Extra Ord. Income / (Exp)	592	-	-	-
Reported PAT	1,28,139	1,75,940	3,23,762	2,94,869
YoY gr. (%)	(23.9)	37.3	84.0	(8.9)
Margin (%)	14.2	16.0	22.7	20.1
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	1,28,139	1,75,940	3,23,762	2,94,869
Equity Shares O/s (m)	6,163	6,163	6,163	6,163
EPS (Rs)	20.7	28.5	52.5	47.8

Source: Company Data, PL Research

Balance Sheet Abstract (Rs m)

Y/e Mar	FY21	FY22	FY23E	FY24E
Non-Current Assets				
Gross Block	6,00,934	7,08,894	8,54,627	9,83,005
Tangibles	6,00,934	7,08,894	8,54,627	9,83,005
Intangibles	-	-	-	-
Acc: Dep / Amortization	1,76,881	2,21,168	2,71,982	3,31,705
Tangibles	1,76,881	2,21,168	2,71,982	3,31,705
Intangibles	-	-	-	-
Net fixed assets	4,24,052	4,87,726	5,82,645	6,51,300
Tangibles	4,24,052	4,87,726	5,82,645	6,51,300
Intangibles	-	-	-	-
Capital Work In Progress	1,04,898	1,16,894	1,33,087	1,47,351
Goodwill	-	-	-	-
Non-Current Investments	1,18,418	1,32,742	1,47,742	1,62,742
Net Deferred tax assets	40,594	40,787	40,787	40,787
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	70,757	94,407	97,397
Trade receivables	1,96,231	1,13,677	1,45,278	1,48,119
Cash & Bank Balance	1,73,103	3,28,263	3,59,738	4,07,538
Other Current Assets	3,23,653	3,35,760	3,85,844	3,89,909
Total Assets	15,81,471	17,38,652	20,02,573	21,59,189
Equity				
Equity Share Capital	61,627	61,627	61,627	61,627
Other Equity	3,03,546	3,70,857	4,47,720	5,34,684
Total Network	3,65,174	4,32,484	5,09,347	5,96,311
Non-Current Liabilities				
Long Term borrowings	26,957	33,097	33,097	33,097
Provisions	6,31,786	6,53,052	7,00,098	7,46,762
Other non current liabilities	56,473	60,473	64,473	68,473
Current Liabilities				
ST Debt / Current of LT Debt	31,872	-	-	-
Trade payables	76,376	1,15,786	1,52,542	1,55,525
Other current liabilities	4,08,105	4,57,310	5,53,496	5,69,251
Total Equity & Liabilities	16,10,576	17,67,757	20,31,678	21,88,294

Source: Company Data, PL Research

Cash Flow (Rs m)

Y/e Mar	FY21	FY22	FY23E	FY24E
PBT	1,80,092	2,38,319	4,37,516	3,98,471
Add. Depreciation	37,089	44,287	50,814	59,723
Add. Interest	-	-	-	-
Less Financial Other Income	37,924	39,045	54,021	57,235
Add. Other	1,599	18,546	14,045	17,010
Op. profit before WC changes	2,18,780	3,01,151	5,02,375	4,75,204
Net Changes-WC	(56,552)	1,65,529	34,012	6,890
Direct tax	(56,630)	(62,571)	(1,13,754)	(1,03,603)
Net cash from Op. activities	1,05,599	4,04,109	4,22,633	3,78,492
Capital expenditures	(1,09,875)	(1,19,956)	(1,61,926)	(1,42,642)
Interest / Dividend Income	24,439	14,459	28,621	30,965
Others	96,392	-	-	-
Net Cash from Invt. activities	10,955	(1,05,496)	(1,33,305)	(1,11,677)
Issue of share cap. / premium	-	-	-	-
Debt changes	(5,508)	(25,732)	-	-
Dividend paid	(77,064)	(1,08,630)	(2,46,899)	(2,07,905)
Interest paid	(1,982)	(5,415)	(7,954)	(8,110)
Others	-	4,000	4,000	4,000
Net cash from Fin. activities	(84,554)	(1,35,776)	(2,50,853)	(2,12,014)
Net change in cash	32,000	1,62,836	38,475	54,800
Free Cash Flow	2,15,474	5,24,065	5,84,559	5,21,134

Source: Company Data, PL Research

Quarterly Financials (Rs m)

Y/e Mar	Q2FY22	Q3FY22	Q4FY22	Q1FY23
Net Revenue	2,32,911	2,84,335	3,27,068	3,50,922
YoY gr. (%)	10.1	20.0	22.5	38.8
Raw Material Expenses	-	-	-	-
Gross Profit	2,32,911	2,84,335	3,27,068	3,50,922
Margin (%)	100.0	100.0	100.0	100.0
EBITDA	39,423	68,255	90,788	1,22,508
YoY gr. (%)	(0.8)	32.2	41.0	152.9
Margin (%)	16.9	24.0	27.8	34.9
Depreciation / Depletion	9,344	10,413	14,124	9,938
EBIT	30,079	57,842	76,665	1,12,571
Margin (%)	12.9	20.3	23.4	32.1
Net Interest	1,414	1,316	1,209	1,502
Other Income	7,818	6,529	17,889	9,945
Profit before Tax	36,483	63,054	93,345	1,21,014
Margin (%)	15.7	22.2	28.5	34.5
Total Tax	7,105	17,457	26,203	32,432
Effective tax rate (%)	19.5	27.7	28.1	26.8
Profit after Tax	29,378	45,597	67,142	88,582
Minority interest	42	19	(221)	(14)
Share Profit from Associates	-	-	-	-
Adjusted PAT	29,378	45,597	67,142	88,582
YoY gr. (%)	(0.4)	47.9	46.2	179.0
Margin (%)	12.6	16.0	20.5	25.2
Extra Ord. Income / (Exp)	(42)	(19)	221	14
Reported PAT	29,336	45,579	67,363	88,596
YoY gr. (%)	(0.7)	47.9	46.6	178.6
Margin (%)	12.6	16.0	20.6	25.2
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	29,336	45,579	67,363	88,596
Avg. Shares O/s (m)	-	-	-	-
EPS (Rs)	-	-	-	-

Source: Company Data, PL Research

Key Financial Metrics

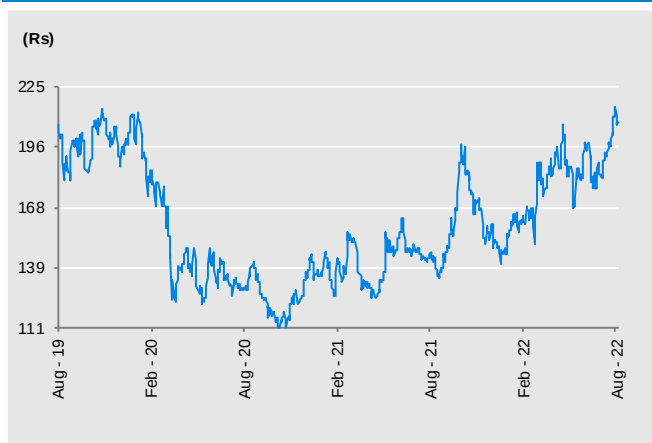
Y/e Mar	FY21	FY22	FY23E	FY24E
Per Share(Rs)				
EPS	20.7	28.5	52.5	47.8
CEPS	29.1	41.8	68.0	65.6
BVPS	59.3	70.2	82.6	96.8
FCF	35.0	85.0	94.9	84.6
DPS	16.0	17.1	37.0	33.7
Return Ratio(%)				
RoCE	36.8	46.0	77.7	59.6
ROIC	12.7	16.5	24.3	21.2
RoE	37.1	44.1	68.8	53.3
Balance Sheet				
Net Debt : Equity (x)	(0.4)	(0.8)	(0.7)	(0.7)
Net Working Capital (Days)	85	23	22	22
Valuation(x)				
PER	10.6	7.7	4.2	4.6
P/B	3.7	3.1	2.7	2.3
P/CEPS	7.6	5.3	3.2	3.4
EV/EBITDA	6.0	3.6	2.0	2.1
EV/Sales	1.3	0.9	0.7	0.6
Dividend Yield (%)	7.3	7.8	16.8	15.3

Source: Company Data, PL Research

Key Operating Metrics

Y/e Mar	FY21	FY22	FY23E	FY24E
Coal despatches (mn tn)	574	662	702	744
Vol sold under FSA/MoU (mn tn)	466	540	623	648
Vol sold under E-auction (mn tn)	94	111	68	85
FSA Realisations/tonne (Rs)	1,379	1,407	1,463	1,573
E-auction Realisations/tonne (Rs)	1,569	1,879	5,500	3,500
Blended Real. / tonne (Rs)	1,440	1,520	1,890	1,817
Total cost per tonne (Rs)	1,281	1,243	1,285	1,407
Cash cost per tonne (Rs)	1,185	1,218	1,228	1,343
Employee cost / tonne (Rs)	654	647	654	668
EBITDA / tonne (Rs)	324	376	630	550
OBR adj / tonne (Rs)	24	60	63	67

Source: Company Data, PL Research

Price Chart
Recommendation History


No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	11-Jul-22	Accumulate	220	190
2	23-May-22	Accumulate	220	186
3	11-Apr-22	Accumulate	220	195
4	02-Mar-22	Accumulate	192	170
5	18-Feb-22	Accumulate	172	163
6	11-Jan-22	Accumulate	172	161
7	07-Oct-21	Accumulate	164	191
8	08-Sep-21	Accumulate	164	147
9	13-Aug-21	Accumulate	164	144

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	ACC	Reduce	2,250	2,160
2	Ambuja Cement	Hold	385	371
3	Coal India	Accumulate	220	190
4	Dalmia Bharat	Accumulate	1,827	1,616
5	Heidelberg Cement India	Reduce	183	181
6	Hindalco Industries	Accumulate	545	358
7	Hindustan Zinc	Reduce	283	263
8	Jindal Steel & Power	Reduce	360	346
9	JK Lakshmi Cement	Accumulate	555	437
10	JSW Steel	Reduce	560	582
11	NMDC	Reduce	120	109
12	Shree Cement	Hold	22,080	20,415
13	Steel Authority of India	Reduce	55	72
14	Tata Steel	Reduce	975	950
15	The Ramco Cements	Reduce	700	752
16	Ultratech Cement	Accumulate	7,180	6,459

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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