

## Mixed bag performance...

**About the stock:** Coal India (CIL) is one of the largest coal producers in the world. In FY22, CIL produced 623 million tonnes (MT) while offtake for FY22 was at 662 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

**Q2FY23 Results:** CIL reported a mixed bag performance in Q2FY23.

- For Q2FY23, Coal India reported off take volume of 155 million tonnes (MT), up 5% YoY. FSA sales volume for the quarter was at 142 MT, up 20% YoY, while FSA realisation for the quarter was at ₹ 1414/tonne, up 2% YoY. E-auction volume for the quarter was at 10 MT while E-auction realisation for the quarter was at ₹ 6062/tonne, up 281% YoY, 40% QoQ
- For Q2FY23, Coal India reported consolidated topline of ₹ 29838 crore, up 28% YoY. Consolidated EBITDA for the quarter was at ₹ 7280 crore, lower than our estimate of ₹ 8878 crore. Consolidated EBITDA came in lower than our estimate due to higher than expected operating costs (especially employee expenses). Employee expenses for the quarter was at ₹ 10829 crore, up 13% YoY, 8% QoQ, higher than our estimate of ₹ 10078 crore. Ensuing consolidated PAT for the quarter was at ₹ 6044 crore

**What should investors do?** Since our report dated February 18, 2022, CIL's share price has given a return of ~53% in the last nine months (from ~₹ 167 in February 2022 to ~₹ 256 in November 2022), thereby significantly outperforming the Nifty Metal Index which has given return of ~ 10% during the above mentioned period.

- We downgrade the stock from BUY to **HOLD**. On the back of higher operating costs, going forward we believe Coal India's EBITDA/tonne is likely witness a declining trend from H1FY23 levels.

**Target Price and Valuation:** We value CIL at ₹ 275, 4.5x FY24E EV/EBITDA

### Key triggers for future price performance:

- Over FY22-24E, we expect CIL's consolidated topline to grow at a CAGR of 6.0% while consolidated EBITDA and consolidated PAT are expected to register a CAGR of 14.8% and 17.8%, respectively
- We expect CIL to report sales volume of 700 Million Tonnes (MT) for FY23E and 725 MT for FY24E.

**Alternate Stock Idea:** In our metals and mining sector coverage, we like Hindalco.

- Hindalco is the world's largest aluminium company by revenues and a major player in copper.
- BUY with a target price of ₹ 500



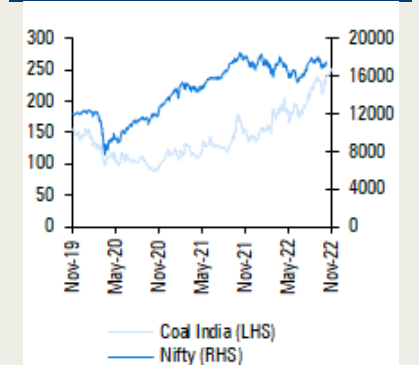
### Particulars

Particular	Amount
Market Capitalization	₹ 157735 crore
Total Debt (FY22)	₹ 3310 crore
Cash and Bank Balance(FY22)	₹ 29179 crore
EV	₹ 131866 crore
52 week H/L	263 / 139
Equity capital	₹ 6162.7 crore
Face value	₹ 10

### Shareholding pattern

(in %)	Dec-21	Mar-22	Jun-22	Sep-22
Promoter	66.1	66.1	66.1	66.1
FIs	6.6	6.9	6.5	6.7
DIs	21.3	21.8	22.5	22.5
Public	6.0	5.2	4.8	4.6
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>

### Price Chart



### Key Risks

- Lower than expected increase in operating costs
- Lower than expected increase in offtake

### Research Analyst

Dewang Sanghavi  
dewang.sanghavi@icicisecurities.com

## Key Financial Summary

(₹ Crore)	FY19	FY20	FY21	FY22	CAGR in % (FY17-FY22)	FY23E	FY24E	CAGR (FY22-FY24E)
Total Operating Income	99,586	96,080	90,026	1,09,714	5.9%	1,28,468	1,23,163	6.0%
EBITDA	25,006	21,581	18,574	24,691	15.1%	37,568	32,533	14.8%
EBITDA Margin (%)	25.1	22.5	20.6	22.5		29.2	26.4	
PAT	17,464	16,700	12,702	17,378	3.8%	27,878	24,099	17.8%
EPS (₹)	28.3	27.1	20.6	28.2		45.2	39.1	
EV/EBITDA (x)	5.1	6.3	7.7	5.2		3.3	3.9	
RoCE (%)	86.3	54.6	42.3	52.0		59.7	43.3	
RoE (%)	66.0	51.9	34.8	40.3		47.5	34.2	

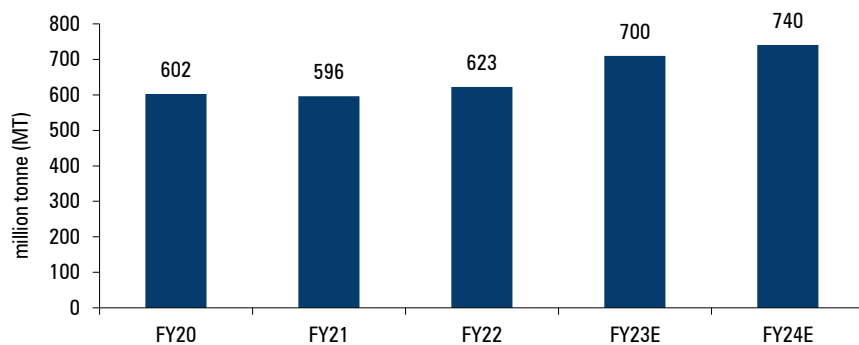
**Exhibit 1: Variance Analysis**

	Q2FY23	Q2FY23E	Q2FY22	YoY (%)	Q1FY23	QoQ (%)	Comments
<b>Total Operating Income</b>	<b>29838</b>	<b>28960</b>	<b>23291</b>	<b>28</b>	<b>35092</b>	<b>-15</b>	Consolidated Topline came in broadly in line with our estimate
Other Income	1761	775	782	125	995	77	Consolidated Other Income came in higher than our estimate
<b>Total Expenditure</b>	<b>22558</b>	<b>20082</b>	<b>19349</b>	<b>17</b>	<b>22841</b>	<b>-1</b>	
EBITDA	7280	8878	3942	85	12251	-41	Consolidated EBITDA came in lower than our estimate on the back of higher than expected operating costs (especially employee costs)
EBITDA Margin (%)	24.4	30.7	16.9	750 Bps	34.9	(1050) Bps	Consolidated EBITDA margin came in lower than our estimate
Depreciation	1077	1150	934	15	994	8	
Interest	135	150	141	-4	150	-10	
Share of JV	-142	0	-5	2523	-24	NA	
<b>PBT</b>	<b>7687</b>	<b>8353</b>	<b>3643</b>	<b>111</b>	<b>12077</b>	<b>-36</b>	
Total Tax	1643	2102	711	131	3243	-49	
<b>PAT</b>	<b>6044</b>	<b>6251</b>	<b>2933</b>	<b>106</b>	<b>8834</b>	<b>-32</b>	Consolidated PAT came in broadly in line with our estimate on the back of higher than expected consolidated other income
<b>Key Metrics</b>							
Coal Sales (million tonne)	155	154	147	5	177	-13	Coal sales volume came in broadly in line with our estimate
FSA Volumes	142	140	118	20	154	-8	FSA sales volume came in broadly in line with our estimate
FSA Realisations	1414	1425	1382	2	1443	-2	FSA realisations came in broadly in line with our estimate
E-auction volumes	10	12	27	-62	21	-50	E-auction sales volumes came in lower than our estimate
E-auction realisations	6062	4800	1593	281	4340	40	E-auction sales realisations came in higher than our estimate
EBITDA/tonne	471	575	267	76	690	-32	EBITDA/tonne came in lower than our estimate on the back of higher than expected operating costs.

Source: Company, ICICI Direct Research

## Financial story in charts

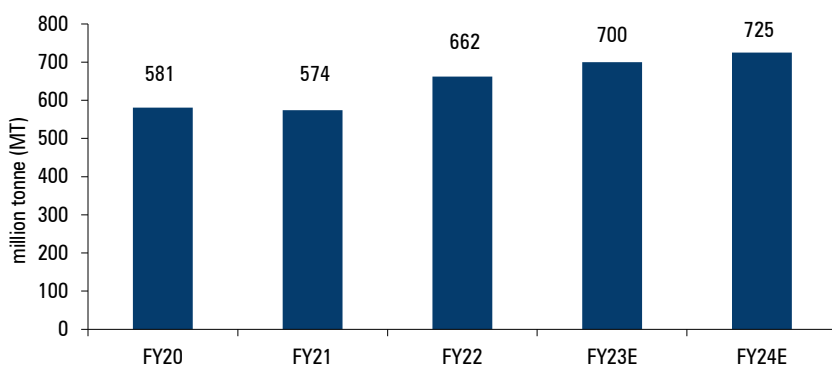
Exhibit 2: Trend in production



We model coal production of 700 MT for FY23E and 740 MT for FY24E

Source: Company, ICICI Direct Research

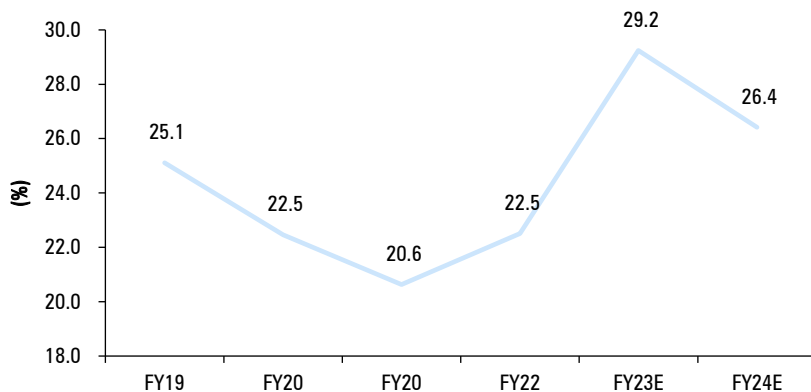
Exhibit 3: Trend in offtake



We model coal offtake of 700 MT for FY23E and 725 MT for FY24E

Source: Company, ICICI Direct Research

Exhibit 4: Trend in reported consolidated EBITDA margin (in %)



We expect Coal India to report consolidated EBITDA margin of 29.2% for FY23E and 26.4% for FY24E. We expect Coal India to report EBITDA/tonne of ₹ 537/tonne for FY23E and ₹ 449/tonne for FY24E ( ₹ 373/tonne for FY22)

Source: Company, ICICI Direct Research

Exhibit 5: Valuation

	Op. Inc.	Growth	EPS	Growth	PE	EV/EBITDA	RoNW	RoCE
FY20	96,080	-3.5	27.1	-4.4	9.5	6.3	51.9	54.6
FY21	90,026	-6.3	20.6	-23.9	12.5	7.7	34.8	42.3
FY22	1,09,714	21.9	28.2	36.8	9.1	5.2	40.3	52.0
FY23E	1,28,468	17.1	45.2	60.4	5.7	3.3	47.5	59.7
FY24E	1,23,163	-4.1	39.1	-13.6	6.6	3.9	34.2	43.3

Source: Company, ICICI Direct Research

## Financial summary (Consolidated)

Exhibit 6: Profit and loss statement				
	₹ crore			
(Year-end March)	FY21	FY22	FY23E	FY24E
<b>Total Operating Income</b>	<b>90026</b>	<b>109714</b>	<b>128468</b>	<b>123163</b>
Growth (%)	-6.3	21.9	17.1	-4.1
Total Operating Expenditure	71453	85023	90900	90630
<b>EBITDA</b>	<b>18574</b>	<b>24691</b>	<b>37568</b>	<b>32533</b>
Growth (%)	-13.9	32.9	52.2	-13.4
Depreciation	3709	4429	4421	4642
Interest	645	541	555	569
Other Income	3792	3905	4911	5157
Share of JV profit / (loss)	-3	-9	-249	-274
<b>PBT</b>	<b>18010</b>	<b>23616</b>	<b>37255</b>	<b>32205</b>
Total Tax	5307	6238	9377	8106
<b>PAT</b>	<b>12702</b>	<b>17378</b>	<b>27878</b>	<b>24099</b>
Growth (%)	-23.9	36.8	60.4	-13.6
<b>EPS (₹)</b>	<b>20.6</b>	<b>28.2</b>	<b>45.2</b>	<b>39.1</b>

Source: Company, ICICI Direct Research

Exhibit 7: Cash flow statement				
	₹ crore			
(Year-end March)	FY21	FY22	FY23E	FY24E
<b>Profit after Tax</b>	<b>12702</b>	<b>17378</b>	<b>27878</b>	<b>24099</b>
Add: Depreciation	3709	4429	4421	4642
Add: Interest	645	541	555	569
(Inc)/dec in Current Assets	-11265	4120	-1333	-3088
Inc/(dec) in CL and Prov.	7595	14171	158	78
<b>CF from operating activities</b>	<b>13387</b>	<b>40639</b>	<b>31679</b>	<b>26300</b>
(Inc)/dec in Investments	-3977	-3756	-25	-25
(Inc)/dec in Fixed Assets	-13115	-15401	-16500	-16500
Others	435	-279	-1000	-1000
<b>CF from investing activities</b>	<b>-16658</b>	<b>-19437</b>	<b>-17525</b>	<b>-17525</b>
Issue/(Buy back) of Equity	0	0	0	0
Inc/(dec) in loan funds	-551	-2566	0	0
Interest Paid	-645	-541	-555	-569
Dividend paid & dividend tax	-9860	-10477	-12325	-12325
Others	3188	4249	50	50
<b>CF from financing activities</b>	<b>-7867</b>	<b>-9334</b>	<b>-12830</b>	<b>-12844</b>
Net Cash flow	-11139	11869	1323	-4070
Opening Cash	28449	17310	29179	30502
<b>Closing Cash</b>	<b>17310</b>	<b>29179</b>	<b>30502</b>	<b>26432</b>

Source: Company, ICICI Direct Research

Exhibit 8: Balance sheet				
	₹ crore			
(Year-end March)	FY21	FY22	FY23E	FY24E
<b>Liabilities</b>				
Equity Share Capital	6163	6163	6163	6163
Reserve and Surplus	30355	36980	52533	64306
Total Shareholders funds	36517	43143	58695	70469
Total Debt	5875	3310	3310	3310
Minority Interest	441	674	724	774
<b>Total Liabilities</b>	<b>42834</b>	<b>47126</b>	<b>62729</b>	<b>74553</b>
<b>Assets</b>				
Gross Block	95796	104594	119094	133594
Less: Acc Depreciation	53305	57733	62154	66796
Net Block	42491	46861	56940	66798
CWIP	10404	12714	14714	16714
Investments	5950	9706	9731	9756
Inventory	8947	7076	7471	7449
Debtors	19623	11368	13805	12892
Loans and Advances	13658	14886	11886	14386
Other Current Assets	41051	45830	47330	48853
Cash	17310	29179	30502	26432
Total Current Assets	100590	108338	110994	110013
Current Liabilities	49301	61190	58848	56426
Provisions	69645	71927	74427	76927
Current Liabilities & Prov	118946	133117	133275	133353
Net Current Assets	-18356	-24778	-22280	-23340
Others	2345	2624	3624	4624
<b>Application of Funds</b>	<b>42834</b>	<b>47126</b>	<b>62729</b>	<b>74553</b>

Source: Company, ICICI Direct Research

Exhibit 9: Key ratios				
	₹ crore			
(Year-end March)	FY21	FY22	FY23E	FY24E
<b>Per share data (₹)</b>				
EPS	20.6	28.2	45.2	39.1
Cash EPS	26.6	35.4	52.4	46.6
BV	59.3	70.0	95.2	114.3
DPS	16.0	17.0	20.0	20.0
Cash Per Share	28.1	47.3	49.5	42.9
<b>Operating Ratios (%)</b>				
EBITDA Margin	20.6	22.5	29.2	26.4
PBT / Total Operating income	20.0	21.5	29.0	26.1
PAT Margin	14.1	15.8	21.7	19.6
Inventory days	46	30	30	30
Debtor days	87	41	40	40
Creditor days	49	43	36	38
<b>Return Ratios (%)</b>				
Adj RoE	34.8	40.3	47.5	34.2
Adj RoCE	42.3	52.0	59.7	43.3
<b>Valuation Ratios (x)</b>				
P/E	12.5	9.1	5.7	6.6
EV / EBITDA	7.7	5.2	3.3	3.9
EV / Net Sales	1.6	1.2	1.0	1.0
Market Cap / Sales	1.8	1.4	1.2	1.3
Price to Book Value	4.3	3.7	2.7	2.2
<b>Solvency Ratios</b>				
Debt/EBITDA	0.3	0.1	0.1	0.1
Debt / Equity	0.2	0.1	0.1	0.0
Current Ratio	0.8	0.8	0.8	0.8
Quick Ratio	0.8	0.8	0.8	0.8

Source: Company, ICICI Direct Research

## RATING RATIONALE

ICICI Direct endeavours to provide objective opinions and recommendations. ICICI Direct assigns ratings to its stocks according to their notional target price vs. current market price and then categorizes them as Buy, Hold, Reduce and Sell. The performance horizon is two years unless specified and the notional target price is defined as the analysts' valuation for a stock

Buy: > 15%

Hold: -5% to 15%;

Reduce: -15% to -5%;

Sell: < -15%



Pankaj Pandey

Head – Research

pankaj.pandey@icicisecurities.com

ICICI Direct Research Desk,  
ICICI Securities Limited,  
1st Floor, Akruiti Trade Centre,  
Road No 7, MIDC,  
Andheri (East)  
Mumbai – 400 093  
research@icicidirect.com

## ANALYST CERTIFICATION

I/We, Dewang Sanghavi MBA (Finance), Research Analysts, authors and the names subscribed to this report, hereby certify that all of the views expressed in this research report accurately reflect our views about the subject issuer(s) or securities. We also certify that no part of our compensation was, is, or will be directly or indirectly related to the specific recommendation(s) or view(s) in this report. It is also confirmed that above mentioned Analysts of this report have not received any compensation from the companies mentioned in the report in the preceding twelve months and do not serve as an officer, director or employee of the companies mentioned in the report.

## Terms & conditions and other disclosures:

ICICI Securities Limited (ICICI Securities) is a full-service, integrated investment banking and is, inter alia, engaged in the business of stock broking and distribution of financial products.

ICICI Securities is Sebi registered stock broker, merchant banker, investment adviser, portfolio manager and Research Analyst. ICICI Securities is registered with Insurance Regulatory Development Authority of India Limited (IRDAI) as a composite corporate agent and with PFRDA as a Point of Presence. ICICI Securities Limited Research Analyst SEBI Registration Number – INH000000990. ICICI Securities Limited SEBI Registration is INZ000183631 for stock broker. ICICI Securities is a subsidiary of ICICI Bank which is India's largest private sector bank and has its various subsidiaries engaged in businesses of housing finance, asset management, life insurance, general insurance, venture capital fund management, etc. ("associates"), the details in respect of which are available on [www.icicibank.com](http://www.icicibank.com).

ICICI Securities is one of the leading merchant bankers/ underwriters of securities and participate in virtually all securities trading markets in India. We and our associates might have investment banking and other business relationship with a significant percentage of companies covered by our Investment Research Department. ICICI Securities and its analysts, persons reporting to analysts and their relatives are generally prohibited from maintaining a financial interest in the securities or derivatives of any companies that the analysts cover.

Recommendation in reports based on technical and derivative analysis centre on studying charts of a stock's price movement, outstanding positions, trading volume etc as opposed to focusing on a company's fundamentals and, as such, may not match with the recommendation in fundamental reports. Investors may visit [icicidirect.com](http://icicidirect.com) to view the Fundamental and Technical Research Reports.

Our proprietary trading and investment businesses may make investment decisions that are inconsistent with the recommendations expressed herein.

ICICI Securities Limited has two independent equity research groups: Institutional Research and Retail Research. This report has been prepared by the Retail Research. The views and opinions expressed in this document may or may not match or may be contrary with the views, estimates, rating, and target price of the Institutional Research.

The information and opinions in this report have been prepared by ICICI Securities and are subject to change without any notice. The report and information contained herein is strictly confidential and meant solely for the selected recipient and may not be altered in any way, transmitted to, copied or distributed, in part or in whole, to any other person or to the media or reproduced in any form, without prior written consent of ICICI Securities. While we would endeavour to update the information herein on a reasonable basis, ICICI Securities is under no obligation to update or keep the information current. Also, there may be regulatory, compliance or other reasons that may prevent ICICI Securities from doing so. Non-rated securities indicate that rating on a particular security has been suspended temporarily and such suspension is in compliance with applicable regulations and/or ICICI Securities policies, in circumstances where ICICI Securities might be acting in an advisory capacity to this company, or in certain other circumstances.

This report is based on information obtained from public sources and sources believed to be reliable, but no independent verification has been made nor is its accuracy or completeness guaranteed. This report and information herein is solely for informational purpose and shall not be used or considered as an offer document or solicitation of offer to buy or sell or subscribe for securities or other financial instruments. Though disseminated to all the customers simultaneously, not all customers may receive this report at the same time. ICICI Securities will not treat recipients as customers by virtue of their receiving this report. Nothing in this report constitutes investment, legal, accounting and tax advice or a representation that any investment or strategy is suitable or appropriate to your specific circumstances. The securities discussed and opinions expressed in this report may not be suitable for all investors, who must make their own investment decisions, based on their own investment objectives, financial positions and needs of specific recipient. This may not be taken in substitution for the exercise of independent judgment by any recipient. The recipient should independently evaluate the investment risks. The value and return on investment may vary because of changes in interest rates, foreign exchange rates or any other reason. ICICI Securities accepts no liabilities whatsoever for any loss or damage of any kind arising out of the use of this report. Past performance is not necessarily a guide to future performance. Investors are advised to see Risk Disclosure Document to understand the risks associated before investing in the securities markets. Actual results may differ materially from those set forth in projections. Forward-looking statements are not predictions and may be subject to change without notice.

ICICI Securities or its associates might have managed or co-managed public offering of securities for the subject company or might have been mandated by the subject company for any other assignment in the past twelve months.

ICICI Securities or its associates might have received any compensation from the companies mentioned in the report during the period preceding twelve months from the date of this report for services in respect of managing or co-managing public offerings, corporate finance, investment banking or merchant banking, brokerage services or other advisory service in a merger or specific transaction.

ICICI Securities or its associates might have received any compensation for products or services other than investment banking or merchant banking or brokerage services from the companies mentioned in the report in the past twelve months.

ICICI Securities encourages independence in research report preparation and strives to minimize conflict in preparation of research report. ICICI Securities or its associates or its analysts did not receive any compensation or other benefits from the companies mentioned in the report or third party in connection with preparation of the research report. Accordingly, neither ICICI Securities nor Research Analysts and their relatives have any material conflict of interest at the time of publication of this report.

Compensation of our Research Analysts is not based on any specific merchant banking, investment banking or brokerage service transactions.

ICICI Securities or its subsidiaries collectively or Research Analysts or their relatives do not own 1% or more of the equity securities of the Company mentioned in the report as of the last day of the month preceding the publication of the research report.

Since associates of ICICI Securities and ICICI Securities as a entity are engaged in various financial service businesses, they might have financial interests or actual/ beneficial ownership of one percent or more or other material conflict of interest various companies including the subject company/companies mentioned in this report.

ICICI Securities may have issued other reports that are inconsistent with and reach different conclusion from the information presented in this report.

Neither the Research Analysts nor ICICI Securities have been engaged in market making activity for the companies mentioned in the report.

We submit that no material disciplinary action has been taken on ICICI Securities by any Regulatory Authority impacting Equity Research Analysis activities.

This report is not directed or intended for distribution to, or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject ICICI Securities and affiliates to any registration or licensing requirement within such jurisdiction. The securities described herein may or may not be eligible for sale in all jurisdictions or to certain category of investors. Persons in whose possession this document may come are required to inform themselves of and to observe such restriction.