Coal India

Estimate change	↓
TP change	↔
Rating change	↔

Bloomberg	COAL IN
Equity Shares (m)	6207
M.Cap.(INRb)/(USDb)	1462.7 / 17.9
52-Week Range (INR)	263 / 165
1, 6, 12 Rel. Per (%)	4/-3/19
12M Avg Val (INR M)	2028

Financials & Valuations (INR b)

Y/E MARCH	2023	2024E	2025E
Sales	1,383	1,314	1,337
Adj. EBITDA	406	277	286
Adj. PAT	281	195	205
EBITDA Margin (%)	29.4	21.1	21.4
Cons. Adj. EPS (INR)	45.6	31.7	33.3
EPS Gr. (%)	61.8	-30.6	5.3
BV/Sh. (INR)	93	109	125
Ratios			
Net D:E	-0.7	-0.6	-0.6
RoE (%)	49.1	29.1	26.6
RoCE (%)	56.7	30.5	26.8
Payout (%)	53.1	50.0	50.0
Valuations			
P/E (x)	5.2	7.5	7.1
P/BV (x)	2.6	2.2	1.9
EV/EBITDA(x)	2.6	3.9	3.6
Div. Yield (%)	10.2	6.7	7.0
FCF Yield (%)	14.0	5.0	7.5

Shareholding pattern (%)

As On	Mar-23	Dec-22	Mar-22
Promoter	66.1	66.1	66.1
DII	21.1	21.3	21.9
FII	7.8	7.9	6.9
Others	4.9	4.7	5.1

CMP: INR237 **TP: INR285 (+20%)** **Buy**

In-line revenue driven by strong volumes and higher realizations; higher wage provisions dent earnings

Robust domestic demand and higher volumes to drive performance

- COAL's 4QFY23 revenue was up 17% YoY and 9% QoQ at INR382b, largely in line with our estimate of INR363b, driven by high volumes and realizations.
- ASP grew YoY for all categories, while blended ASP rose 13% YoY and 2% QoQ to INR1,877/t. E-auction ASP jumped 86% YoY to INR4,525/t (down 10% QoQ). E-auction premium eased to 192% from an all-time high of 329% in 2QFY23 and 241% in 3QFY23, but it was still above the historical average.
- Adjusted EBITDA (net of OBR) was down 31% YoY and 23% QoQ at INR86b. The EBITDA miss was a result of higher provisions of INR59b toward NCWA-XI wage provisions, which led to an increase in employee expenses to INR170b against our estimate of INR135b. Excluding the provisions, adjusted EBITDA would have been in line with our estimate at ~INR120b.
- APAT fell 18% YoY and 28% QoQ to INR55b, below our estimate of INR87b.
- Production grew 7% YoY and 25% QoQ to 224mt. Sales (dispatches) rose 4% YoY and 7% QoQ to 187mt. COAL exceeded its yearly production target in FY23 and clocked incremental sales of 80mt in a year, which is equivalent to combined growth of the last seven years and the highest since inception.
- FY23 revenue/adjusted EBITDA/APAT stood at INR1,383b (up 26% YoY)/ INR406b (up 43% YoY)/ INR281b (up 62% YoY).
- OBR removal stood at record levels in FY23 at 1,652mcm (up 22% YoY). The 294mcm incremental OBR removal is the highest since inception, and higher OBR removal facilitates faster and higher coal extraction. High OBR removal will help COAL achieve its FY24 production target of ~770-780mt.
- COAL's growth roadmap is in synergy with the government's commitment to bring about a transformative change in the power sector by providing 24x7 power supply to all homes and sets the stage for COAL to achieve strong coal production over the next few years.
- Long-term demand commitments from numerous power plant companies for FSA give COAL better business visibility. To meet growing power demand, COAL has pegged ~610mt to power plants in FY24E.

E-auction continues to drive profitability

- Though e-auction premiums have cooled off from their highs, they were compensated by higher volumes in 4QFY23. As coal availability to the non-regulated sector (NRS) increases, COAL has an option of placing up to 10% of its total production or 20% of production after fulfilling FSA deliveries under e-auctions.
- We expect COAL to sell ~68-70mt of its volumes via e-auction determined prices in FY24.
- Higher sales volumes via the e-auction route improve profitability as the prices are higher than FSA determined prices.

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Valuation and view

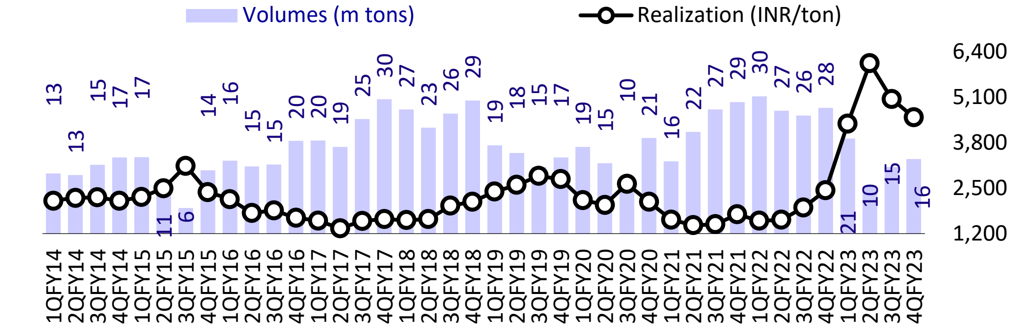
- We believe the world has come to terms with the fact that fossil fuels cannot be ignored, at least in the near term. Underinvestment by developed economies in the last decade has proven expensive, with no alternate sources of Russian NG in sight other than coal. Renewables remain unreliable due to challenges related to availability, costs, storage or safety. The dependence on coal is therefore likely to increase in the near term. The integration of all five different modes of auction into a single e-auction has led to better price discovery for coal and resulted in a structural shift in e-auction premiums.
- We maintain our e-auction premium estimate for FY24 at 99%. We have reduced our adjusted EBITDA/APAT estimates for FY24 by 9.2%/9.9% to factor in higher employee cost provisions. We retain our BUY rating with a TP of INR285, valuing the stock at 5x FY24E EV/EBTIDA. COAL remains our top pick in the metals and mining sector. At CMP of INR237, the stock trades at an inexpensive valuation of 3.9x FY24E EV/EBTIDA.
- The company has declared a final dividend of INR4 per share, taking the total dividend to INR24.25 for FY23.

Consolidated quarterly performance (INR b)

Y/E March	FY22				FY23E				FY22	FY23	FY23	var
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q			4Q	(%)
Sales	**253**	**233**	**284**	**327**	**351**	**298**	**352**	**382**	**1,097**	**1,383**	**363**	**5.2**
Change YoY (%)	36.8	10.1	20.0	22.5	38.8	28.1	23.7	16.6	21.9	26.0		
Change QoQ (%)		-7.9	22.1	15.0	7.3	-15.0	17.9	8.5				
Adj. EBITDA	**46**	**40**	**74**	**125**	**127**	**80**	**112**	**86**	**285**	**406**	**123**	**-29.5**
Change YoY (%)	63.9	18.0	26.2	56.4	177.6	99.9	52.1	-30.7	42.1	42.8		
Change QoQ (%)	-42.5	-12.5	84.1	68.8	2.1	-37.0	40.1	-23.1				
EBITDA per tonne	**286**	**273**	**425**	**689**	**717**	**519**	**639**	**461**	**430**	**584**	**653**	
Depreciation	10	9	10	14	10	11	13	13	44	47	11	
OBR	(3)	1	6	34	5	7	8	17	38	38	5	
Interest	1	1	1	1	2	1	2	2	5	7	1	
Other Income	7	8	7	18	10	16	17	23	39	65	11	
EO Inc/(Exp)	-	-	-	0	-	-	-	-	0	-	-	
PBT	**43**	**36**	**63**	**93**	**121**	**77**	**106**	**76**	**236**	**380**	**117**	**-34.9**
Tax	12	7	17	26	32	16	29	21	62	99	30	
Tax Rate (%)	26.8	19.5	27.7	28.1	26.9	21.4	27.1	27.7	26.4	26.0	25.6	
Reported PAT	**32**	**29**	**46**	**67**	**88**	**60**	**77**	**55**	**174**	**281**	**87**	**-36.7**
Adjusted PAT	**32**	**29**	**46**	**67**	**88**	**60**	**77**	**55**	**174**	**281**	**87**	**-36.7**
Change YoY (%)	52.7	-0.4	47.9	46.2	178.3	105.7	69.3	-17.6	36.8	61.8		
Change QoQ (%)	-30.8	-7.4	55.2	47.1	31.7	-31.6	27.7	-28.4				

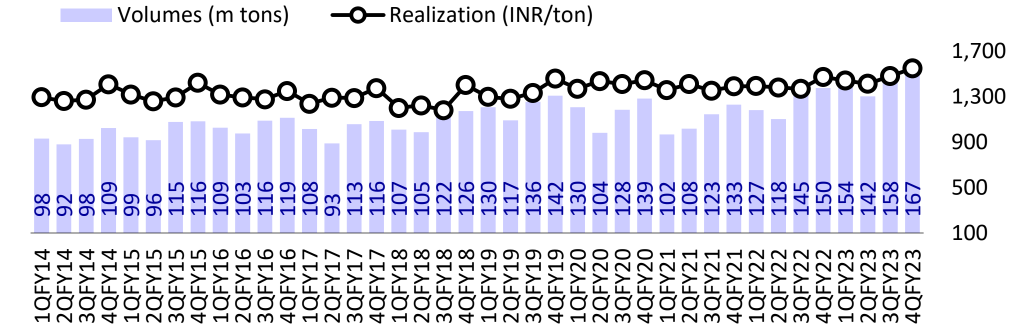
Source: MOFSL, Company

Exhibit 1: e-auction volumes drive revenue; though realizations cool off QoQ, it continues to be at its historic high levels



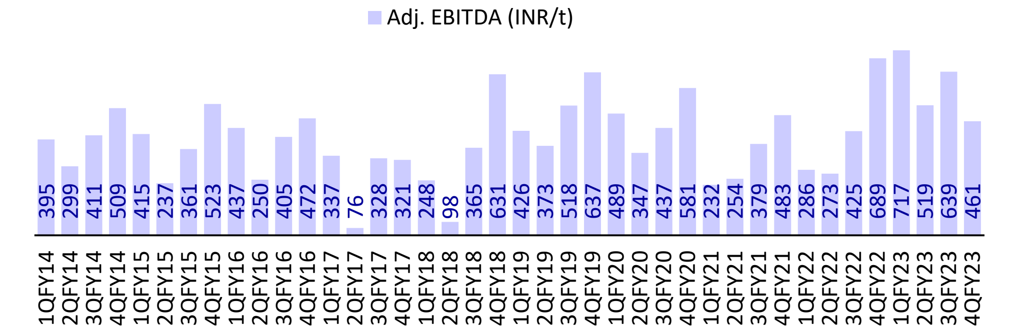
Source: MOFSL, Company

Exhibit 2: FSA volumes and realizations improve during the quarter; at record levels



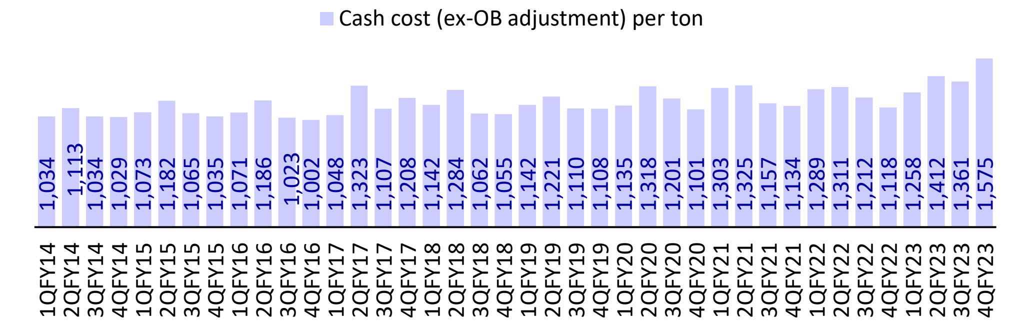
Source: MOFSL, Company

Exhibit 3: Adjusted EBITDA/t impacted by higher NCWA-XI wage provisions



Source: MOFSL, Company

Exhibit 4: Adjusted cash costs increase due to wage provisions

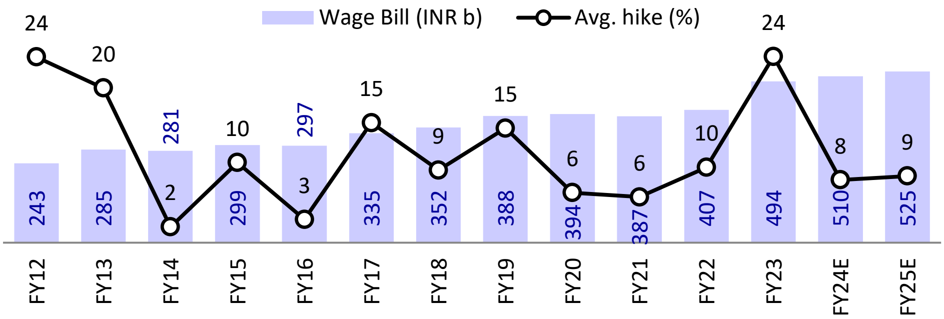


Source: MOFSL, Company

- Adjusted cash cost (ex OBR and employee cost) was down 5% QoQ at INR669/t.

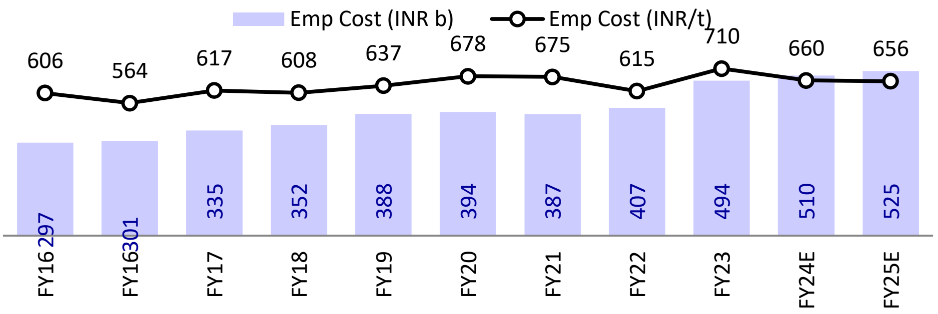
- Adjusted cash cost (ex OBR and employee cost) in 4QFY23 was the lowest for FY23, down from a high of INR711 in 2QFY23.

Exhibit 5: Wage bill (employee expense) witnessed a sudden surge in FY23 on back of higher NCWA-XI wage provisions at INR81.5b in FY23; ex-provisions, the hike in wage bill for FY23 would have been flat in the range of INR415-425b.



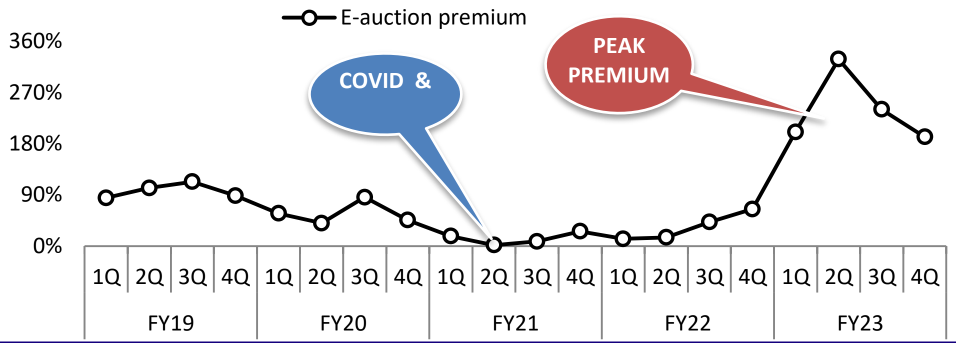
Source: MOFSL, Company

Exhibit 6: Higher dispatches will keep a check on rising absolute employee costs; employee cost/t to reduce from FY23 onward



Source: MOFSL, Company

Exhibit 7: e-auction premium of 192% remains over historical average



Source: MOFSL, Industry

Exhibit 8: Key assumptions and changes to our estimates

	UoM	FY23			FY24E			FY25E		
		New	Old	% change	New	Old	% change	New	Old	% change
Production	mt	703	700	0%	773	735	5%	811	772	5%
Dispatch	"	696	696	0%	773	731	6%	800	767	4%
Revenue	INR b	1,383	1,363	1.4	1,314	1,277	2.9	1,337	1,303	2.6
Adj EBITDA	INR b	406	442	-8.1	277	305	-9.2	286	290	-1.5
APAT	INR b	281	313	-10.2	195	216	-9.9	205	209	-1.9

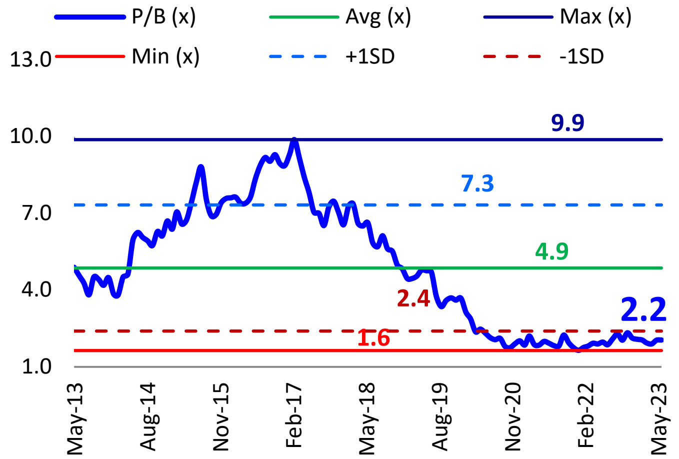
Source: MOFSL, Company

Exhibit 9: Valuation remains attractive as demand remains strong

Target Price calculations	UoM	FY24E
Adjusted EBIDTA	INR b	277
Target EV/EBITDA (x)	x	5.0
Target EV	INR b	1,370
Net debt	INR b	-392
Equity value	INR b	1,762
TP		**285**

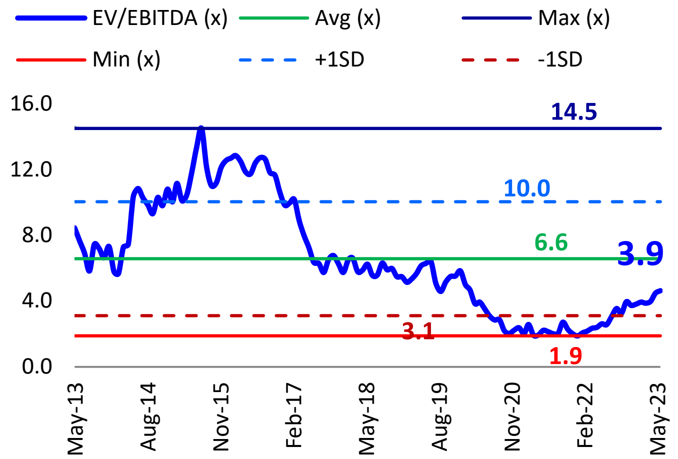
Source: MOFSL, Company

Exhibit 10: COAL P/B multiple remains cheap & below its historical average and -1SD…



Source: MOFSL, Company

Exhibit 11: Even the EV/EBITDA multiple is below its historical average…



Source: MOFSL, Company

Exhibit 12: Comparable valuation of global coal companies

	M-Cap	P/E (x)			EV/EBITDA (x)			P/B (x)			RoE (%)		
Company	USD m	CY21/ FY22	CY22/ FY23	CY23/ FY24	CY21/ FY22	CY22/ FY23	CY23/ FY24	CY21/ FY22	CY22/ FY23	CY23/ FY24	CY21/ FY22	CY22/ FY23	CY23/ FY24
Coal*	**17,559**	**8.4**	**5.2**	**7.5**	**4.0**	**2.6**	**3.9**	**3.4**	**2.6**	**2.2**	**40.3**	**49.1**	**29.1**
China Shenhua	80,495	6.1	7.0	7.0	4.1	4.5	4.6	1.1	1.1	1.1	19.0	16.0	15.2
Banpu	2,255	1.4	3.4	5.4	1.8	2.6	3.1	0.6	0.6	0.6	47.1	17.7	10.1
Bukit Asam	3,254	3.6	4.7	6.0	2.4	2.7	3.4	1.6	1.5	1.4	45.8	34.3	23.8
Adaro Energy	6,830	2.9	4.6	6.9	1.3	1.8	2.2	1.1	1.2	1.2	43.8	25.8	17.1

Source: MOFSL, Company, Bloomberg. (*) denotes MOFSL estimates

Financials and valuations

Income Statement										(INR b)
Y/E March	**FY16**	**FY17**	**FY18**	**FY19**	**FY20**	**FY21**	**FY22**	**FY23**	**FY24E**	**FY25E**
Net Sales	**780**	**784**	**859**	**995**	**961**	**900**	**1,097**	**1,383**	**1,314**	**1,337**
Change (%)	0.0	0.5	9.6	15.9	-3.5	-6.3	21.9	26.0	-4.9	1.7
Operating Expenses	593	660	689	746	742	715	850	1,014	1,079	1,086
EBITDA	**187**	**124**	**170**	**250**	**219**	**186**	**247**	**368**	**235**	**250**
% of Net Sales	24.0	15.8	19.7	25.1	22.8	20.6	22.5	26.6	17.9	18.7
Adjusted EBITDA	**215**	**151**	**203**	**300**	**275**	**200**	**285**	**406**	**277**	**286**
adj. EBITDA/ton	403	277	350	494	473	349	430	584	358	358
Depreciation	28	29	31	35	35	37	44	47	50	53
Interest	4	4	4	3	5	6	5	7	8	8
Other Income	59	55	47	59	61	38	39	65	83	85
Extra Ordinary income	0	0	74	0	0	0	0	0	0	0
PBT	**215**	**146**	**107**	**271**	**241**	**180**	**236**	**380**	**261**	**275**
Tax	72	52	37	97	74	53	62	99	66	69
Rate (%)	33.4	35.4	34.6	35.6	30.6	29.5	26.4	26.0	25.2	25.2
PAT before Min. Int.	**143**	**94**	**70**	**175**	**167**	**127**	**174**	**281**	**195**	**205**
Minority Interest										
Reported PAT	**143**	**94**	**70**	**175**	**167**	**127**	**174**	**281**	**195**	**205**
Change (%)	0.1	-34.1	-25.5	148.8	-4.4	-23.9	36.8	61.8	-30.6	5.3
Adjusted PAT	**143**	**94**	**119**	**175**	**167**	**127**	**174**	**281**	**195**	**205**
Change (%)	0.1	-34.1	26.3	46.8	-4.4	-23.9	36.8	61.8	-30.6	5.3

Balance Sheet										(INR b)
Y/E March	**FY16**	**FY17**	**FY18**	**FY19**	**FY20**	**FY21**	**FY22**	**FY23**	**FY24E**	**FY25E**
Share Capital	63	62	62	62	62	62	62	62	62	62
Reserves	285	183	136	203	260	304	370	511	608	711
Net Worth	**348**	**245**	**198**	**265**	**322**	**365**	**431**	**572**	**670**	**773**
Minority Interest	1	3	4	4	4	4	7	8	8	8
Loans	12	30	15	22	64	59	33	41	58	58
Differed tax Liability	-20	-27	-54	-43	-33	-41	-41	-42	0	0
Capital Employed	**341**	**251**	**164**	**248**	**357**	**388**	**430**	**580**	**736**	**839**
Gross Fixed Assets	**234**	**277**	**326**	**402**	**474**	**565**	**660**	**812**	**960**	**1,095**
Less: Depreciation	27	56	85	116	150	187	232	279	328	381
Net Fixed Assets	**207**	**221**	**241**	**286**	**323**	**378**	**428**	**470**	**632**	**714**
Capital Work in Progress	59	103	138	137	128	151	168	225	242	257
Investments	0	0	3	5	9	23	24	31	31	31
Current Assets	**841**	**809**	**839**	**857**	**1,007**	**1,025**	**1,141**	**1,344**	**1,359**	**1,402**
Inventory	76	89	64	56	66	89	71	82	78	79
Debtors	114	107	87	55	144	196	114	131	144	146
Other Current Assets	241	285	351	392	490	524	588	688	688	688
Loans and Advances	1	0	10	16	11	6	4	4	0	0
Cash	409	327	326	338	295	209	365	440	450	489
Current Liabilities	**767**	**882**	**1,058**	**1,037**	**1,110**	**1,189**	**1,331**	**1,491**	**1,528**	**1,565**
Payables	33	39	45	68	101	76	86	85	81	83
Other current liabilities	734	843	1,012	968	1,009	1,113	1,245	1,405	1,447	1,483
Net Curr. Assets	**74**	**-73**	**-218**	**-179**	**-104**	**-164**	**-190**	**-147**	**-169**	**-163**
Application of Funds	**341**	**251**	**164**	**248**	**357**	**388**	**430**	**580**	**736**	**839**

Financials and valuations

Ratios

Y/E March	FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E
Basic										
Adjusted EPS	**22.6**	**15.2**	**19.2**	**28.3**	**27.1**	**20.6**	**28.2**	**45.6**	**31.7**	**33.3**
Cash EPS	31.5	24.2	29.5	42.2	41.7	29.0	41.5	59.4	46.5	47.7
Book Value	55.1	39.5	32.0	42.9	52.2	59.3	70.0	92.9	108.7	125.4
DPS	27.4	19.9	16.5	13.1	12.0	16.0	17.0	24.3	15.8	16.7
Payout (incl. Div. Tax.)	145.5	160.3	103.3	55.5	53.3	77.6	60.3	53.1	50.0	50.0
Valuation (x)										
P/E	12.9	19.3	14.8	8.4	4.9	6.3	8.4	5.2	7.5	7.1
Cash P/E	9.3	12.1	9.6	5.6	3.2	4.5	5.7	4.0	5.1	5.0
P/BV	5.3	7.4	8.9	5.5	2.5	2.2	3.4	2.6	2.2	1.9
EV/Adj. EBITDA	6.7	10.1	7.1	3.8	2.1	3.3	4.0	2.6	3.9	3.6
Dividend Yield (%)	9.4	6.8	5.8	5.5	9.1	12.3	7.2	10.2	6.7	7.0
EV /ton of Reserves	66.6	69.9	66.6	52.7	26.8	30.0	52.0	48.9	49.3	47.5
Profitability Ratios (%)										
Debtor (Days)	53.6	50.0	36.9	20.2	54.7	79.6	37.8	34.5	40.0	40.0
Inventory (Days)	35.4	41.7	27.4	20.5	25.1	36.3	23.5	21.5	21.5	21.5
Payables (Days)	15.4	18.2	19.2	25.0	38.4	31.0	28.6	22.6	22.6	22.6
Asset turnover(x)	2.3	3.1	5.2	4.0	2.7	2.3	2.6	2.4	1.8	1.6
Profitability Ratios (%)										
RoE	41.0	38.4	35.4	66.0	51.9	34.8	40.3	49.1	29.1	26.6
RoCE	39.9	32.7	58.4	85.7	56.4	35.4	43.5	56.7	30.5	26.8
Leverage Ratio										
Net Debt/Equity (x)	-1.1	-1.2	-1.6	-1.2	-0.7	-0.4	-0.8	-0.7	-0.6	-0.6

Cash Flow Statement **(INR b)**

Y/E March	FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E
Adj EBITDA*	**215**	**151**	**203**	**300**	**275**	**200**	**285**	**406**	**277**	**286**
Non cash exp. (income)	22	37	-55	11	10	19	15	22	41	45
(Inc)/Dec in WC	-27	60	138	-49	-123	-57	174	26	-14	-2
Taxes paid	-79	-89	-74	-95	-119	-57	-63	-97	-66	-69
CF from Operations	**132**	**158**	**213**	**167**	**41**	**106**	**411**	**357**	**238**	**259**
Capex	-58	-87	-85	-73	-56	-110	-120	-152	-165	-150
Free Cash Flow	**74**	**72**	**127**	**94**	**-15**	**-4**	**291**	**205**	**73**	**109**
(Pur)/Sale of Investments	0	0	-3	-1	-5	-8	-8	-7	0	0
Interest/dividend	50	35	24	31	35	24	11	27	42	40
Other investing activity	-83	-12	-13	-10	11	-14	-5	-13	-17	0
CF from Investments	**-91**	**-65**	**-77**	**-54**	**-15**	**-107**	**-121**	**-145**	**-140**	**-110**
Equity raised/(repaid)	0	-46	0	0	0	0	0	0	0	0
Debt raised/(repaid)	10	18	-15	7	23	-6	-26	8	17	0
Interest paid	0	0	0	0	-1	-2	-1	-1	-8	-8
Dividend (incl. tax)	-208	-151	-123	-112	-97	-77	-108	-143	-98	-103
Other financing	3	3	3	4	5	0	0	0	0	0
CF from Fin. Activity	**-196**	**-176**	**-136**	**-102**	**-70**	**-85**	**-134**	**-137**	**-88**	**-110**
Inc/Dec of Cash	**-155**	**-82**	**-1**	**12**	**-43**	**-86**	**155**	**75**	**10**	**39**
Add: Beginning Balance	564	409	327	326	338	295	209	365	440	450
Closing Balance	**409**	**327**	**326**	**338**	**295**	**209**	**365**	**440**	**450**	**489**

NOTES

Explanation of Investment Rating	
Investment Rating	**Expected return (over 12-month)**
BUY	>=15%
SELL	< - 10%
NEUTRAL	< - 10 % to 15%
UNDER REVIEW	Rating may undergo a change
NOT RATED	We have forward looking estimates for the stock but we refrain from assigning recommendation

*In case the recommendation given by the Research Analyst is inconsistent with the investment rating legend for a continuous period of 30 days, the Research Analyst shall be within following 30 days take appropriate measures to make the recommendation consistent with the investment rating legend.

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