

Estimate change 

TP change 

Rating change 

CMP: INR230

TP: INR300 (+30%)

Buy

Strong volume momentum continues



Bloomberg	COAL IN
Equity Shares (m)	6207
M.Cap.(INRb)/(USDb)	1419 / 17.1
52-Week Range (INR)	263 / 207
1, 6, 12 Rel. Per (%)	-3/-3/-5
12M Avg Val (INR M)	1953

Financials & Valuations (INR b)

Y/E MARCH	2023	2024E	2025E
Sales	1,383	1,406	1,396
Adj. EBITDA	406	309	317
Adj. PAT	281	207	215
EBITDA Margin (%)	29.4	22.0	22.7
Cons. Adj. EPS (INR)	45.6	33.5	34.9
EPS Gr. (%)	61.8	-26.5	4.1
BV/Sh. (INR)	93	110	127

Ratios

Net D:E	-0.7	-0.6	-0.6
RoE (%)	49.1	30.6	27.5
RoCE (%)	56.7	32.3	27.9
Payout (%)	53.1	50.0	50.0

Valuations

P/E (x)	5.0	6.9	6.6
P/BV (x)	2.5	2.1	1.8
EV/EBITDA(x)	2.5	3.3	3.1
Div. Yield (%)	10.5	8.4	8.5
FCF Yield (%)	14.4	3.2	5.0

Shareholding pattern (%)

As On	Jun-23	Mar-23	Jun-22
Promoter	63.1	66.1	66.1
DII	22.4	21.1	22.6
FII	9.3	7.8	6.5
Others	5.2	4.9	4.8

Robust domestic demand and higher volumes to drive performance

- COAL's 1QFY24 revenue was up 2% YoY at INR360b and was 6% above our estimate of INR338b, driven by higher volumes and FSA realization.
- Blended ASP was down 3% YoY at INR1,769/t and FSA ASP was up 7% YoY at 1,526/t. While e-auction ASP declined 14% YoY to INR3,742/t, the e-auction premium stood at 144% (est. 90%). Though the e-auction premium cooled off to 144% from an all-time high of 329% in 2QFY23 and 192% in 4QFY23, it is still above its historical average.
- Adjusted EBITDA (net of OBR) fell 12% YoY to INR112b, 55% above our estimate of INR72b, owing to lower employee costs, lower CSR and low input costs. Excluding OBR, EBITDA stood at INR105b (52% beat).
- APAT declined 10% YoY to INR80b (59% beat on our est. of INR50b), driven by lower OBR and depreciation expenses, partly offset by low other income.
- The NCWA-XI agreement for salaries and wages for non-executive employees was implemented in 1QFY24 and paid at revised rates. Prior to the implementation of the agreement, COAL had already made provisions of INR81.5b as of FY23.
- COAL production rose 10% YoY to 176mt and sales (dispatches) grew 5% YoY to 187mt (in line with our est. of 188mt). It posted its highest first-quarter production and output in 1QFY24 despite heavy rainfalls at some mines.
- COAL clocked incremental sales of ~9mt, which is significantly higher as it comes from a high base of previous year.
- OBR stood at 497.5 m.cu.mts (up 30% YoY). Higher OBR removal facilitates faster and higher volumes of coal extraction in future and will help COAL achieve its FY24 production target of ~770-780mt.
- The government's commitment to provide 24x7 power supply to all homes augurs well for COAL to achieve strong coal production in next few years.
- COAL also achieved one of the highest dispatches to the non-power sector at 33.4mt (up 34% YoY).

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.
- China has also increased its dependence on thermal power and has commissioned nearly two thermal power plants each week in CY22 and has added more plants in 1HCY23 as well.
- With 14 countries adding new coal plants in last one year and eight countries announcing new projects, the dependence on coal is therefore likely to increase in the near term.
- COAL remains our top pick in the mining sector. The stock is trading at an inexpensive valuation of 3.1x on FY25E EV/EBTIDA. We retain our BUY rating with a TP of INR300, valuing the stock at 4.5x FY25E EV/EBTIDA.

Alok Deora - Research analyst (Alok.Deora@MotilalOswal.com)

Parthiv Deepak Jhonsa - Research analyst (Parthiv.Jhonsa@MotilalOswal.com)

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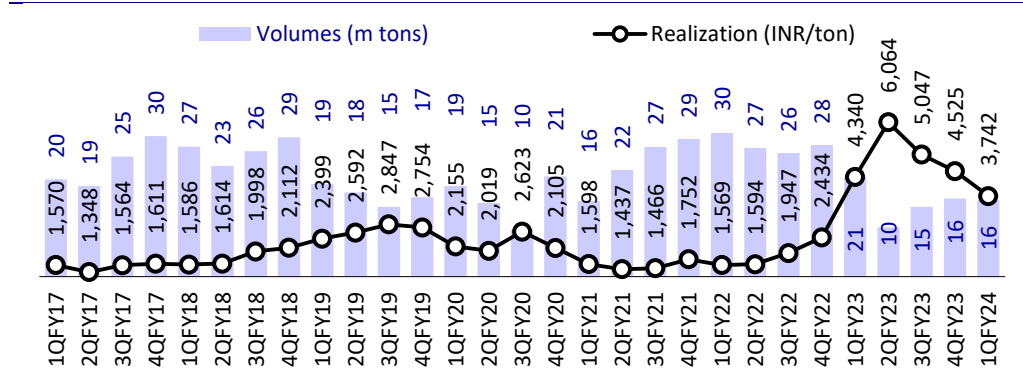
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Consolidated quarterly performance (INR b)

Y/E March	FY23				FY24E				FY23	FY24E	FY24	var (%)
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE				
Sales	351	298	352	382	360	335	355	356	1,383	1,406	338	6
Change YoY (%)	38.8	28.1	23.7	16.6	2.5	12.4	0.9	-6.8	26.0	1.7		
Change QoQ (%)	7.3	-15.0	17.9	8.5	-5.7	-6.8	5.8	0.3				
Adj. EBITDA	127	80	112	86	112	62	64	72	406	309	72	55
Change YoY (%)	177.6	99.9	52.1	-30.7	-12.4	-22.6	-43.4	-16.7	42.8	-23.9		
Change QoQ (%)	2.1	-37.0	40.1	-23.1	29.1	-44.4	2.5	13.1				
EBITDA per tonne	717	519	639	461	597	347	333	375	584	413	383	
Depreciation	10	11	13	13	11	13	13	14	47	51		
OBR	5	7	8	17	6	9	10	15	38	41		
Interest	2	1	2	2	2	1	2	2	7	7		
Other Income	10	16	17	23	15	17	17	18	65	67		
EO Inc/(Exp)	-	-	-	-	-	-	-	-	-	-		
PBT	121	77	106	76	107	56	56	59	380	278	67	60
Tax	32	16	29	21	28	14	14	15	99	71		
Tax Rate (%)	26.9	21.4	27.1	27.7	25.8	25.2	25.2	25.2	26.0	25.4		
Reported PAT	88	60	77	55	80	42	42	44	281	207	50	
Adjusted PAT	88	60	77	55	80	42	42	44	281	207	50	59
Change YoY (%)	178.3	105.7	69.3	-17.6	-9.8	-30.9	-46.1	-20.8	61.8	-26.5		
Change QoQ (%)	31.7	-31.6	27.7	-28.4	44.1	-47.6	-0.5	5.3				

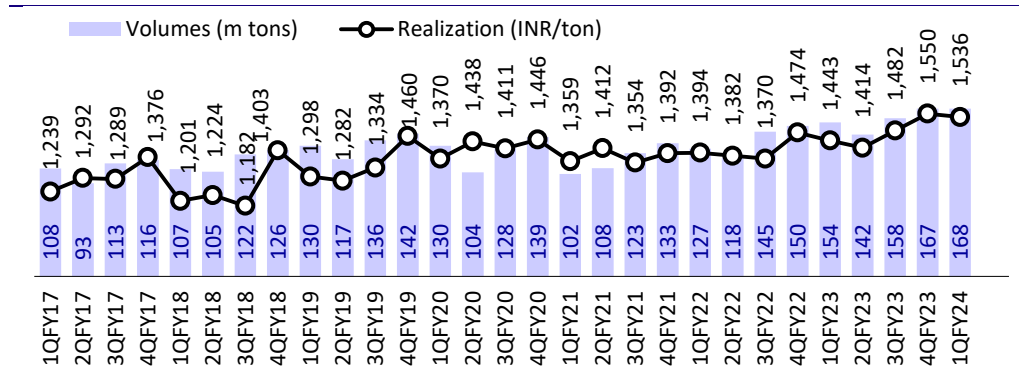
Source: MOFSL, Company

Exhibit 1: E-auction realizations have cooled off after touching a high in 2QFY23



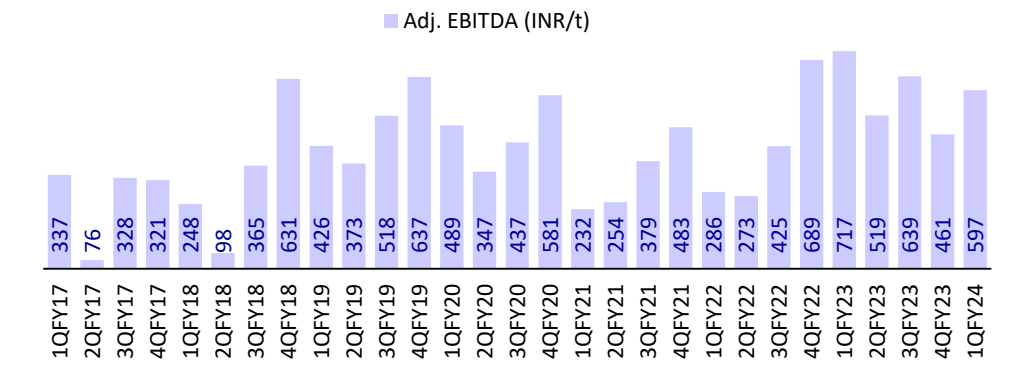
Source: MOFSL, Company

Exhibit 2: FSA volumes and realizations have remained stable sequentially and at record levels



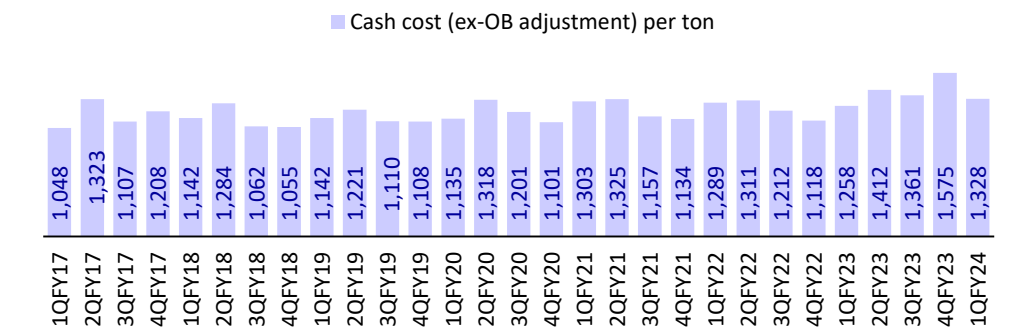
Source: MOFSL, Company

Exhibit 3: Adjusted EBITDA/t improved due to lower employee costs and input costs



Source: MOFSL, Company

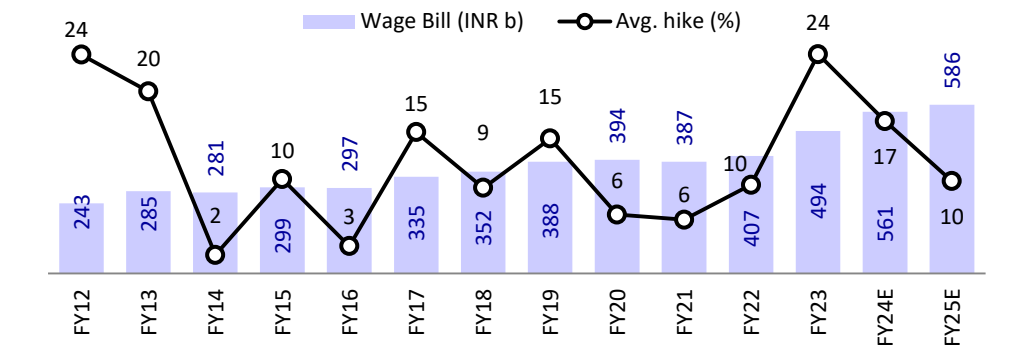
Exhibit 4: Adjusted cash cost was down due to wage provisions



Source: MOFSL, Company

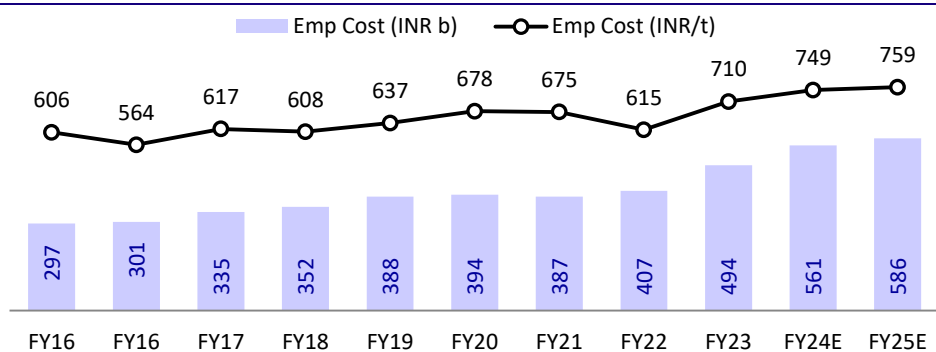
- Adjusted cash cost (ex OBR and employee cost) was up 2% QoQ at INR684/t, the lowest in the last four quarters.

Exhibit 5: Wage bill (employee expense) witnessed a sudden surge in FY23 on the back of higher NCWA-XI wage provisions; wage bill expected to stabilize going forward.



Source: MOFSL, Company

Exhibit 6: Higher dispatches will keep a check on rising absolute employee cost; employee cost/t to stabilize from FY24 onwards



Source: MOFSL, Company

Exhibit 7: Key assumptions and changes to our estimates

	UoM	FY24E			FY25E		
		New	Old	% change	New	Old	% change
Dispatch	mt						
- FSA	"	669	670	0%	687	688	0%
- E-auction	"	67	69	-3%	67	69	-3%
- Others	"	13	12	5%	17	16	4%
Total Dispatch	"	749	751	0%	771	774	0%
ASP							
- Blended	INR/t	1,721	1,658	4%	1,698	1,670	2%
- FSA	"	1,536	1,510	2%	1,553	1,527	2%
- E-auction	"	3,270	2,870	14%	2,943	2,893	2%
- E-auction premium"		113%	90%	2283 bps	90%	90%	0 bps
Revenue	INR b	1,406	1,347	4.4	1,396	1,373	1.7
Adj EBITDA	INR b	309	283	9.3	317	309	2.6
PAT	INR b	207	200	3.1	215	215	0.0

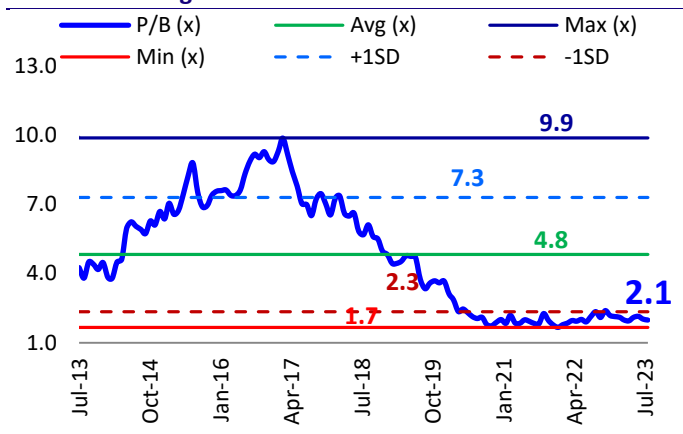
Source: MOFSL, Company

Exhibit 8: Valuation remains attractive as demand for COAL remains strong

Target Price calculations	UoM	FY25E
Adjusted EBIDTA	INR b	317
Target EV/EBITDA (x)	x	4.5
Target EV	INR b	1,428
Net debt	INR b	-448
Equity value	INR b	1,876
TP		300

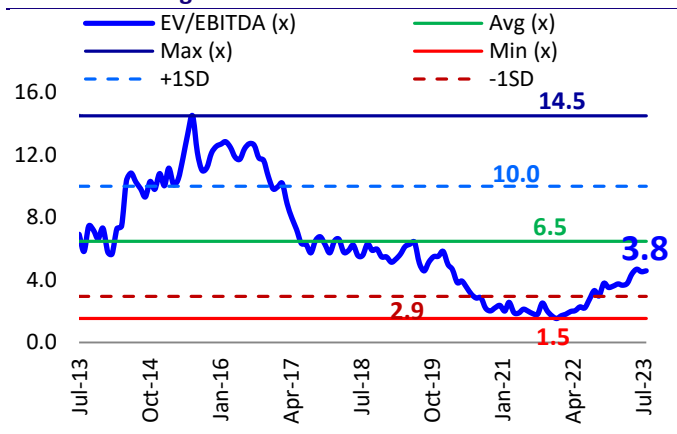
Source: MOFSL, Company

Exhibit 9: COAL P/B multiple remains cheap & below its historical average and -1SD...



Source: MOFSL, Company

Exhibit 10: Even the EV/EBITDA multiple is below its historical average...



Source: MOFSL, Company

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	1,406	1,396
Change (%)	0.0	0.5	9.6	15.9	-3.5	-6.3	21.9	26.0	1.7	-0.7
Operating Expenses	593	660	689	746	742	715	850	1,014	1,137	1,122
EBITDA	187	124	170	250	219	186	247	368	268	274
% of Net Sales	24.0	15.8	19.7	25.1	22.8	20.6	22.5	26.6	19.1	19.6
Adjusted EBITDA	215	151	203	300	275	200	285	406	309	317
adj. EBITDA/ton	403	277	350	494	473	349	430	584	413	411
Depreciation	28	29	31	35	35	37	44	47	51	47
Interest	4	4	4	3	5	6	5	7	7	8
Other Income	59	55	47	59	61	38	39	65	67	69
Extra Ordinary exp (inc)/ Share of JV	0	0	74	0	0	0	0	0	0	0
PBT	215	146	107	271	241	180	236	380	278	288
Tax	72	52	37	97	74	53	62	99	71	73
Rate (%)	33.4	35.4	34.6	35.6	30.6	29.5	26.4	26.0	25.4	25.2
PAT before Min. Int.	143	94	70	175	167	127	174	281	207	215
Minority Interest										
Reported PAT	143	94	70	175	167	127	174	281	207	215
Change (%)	0.1	-34.1	-25.5	148.8	-4.4	-23.9	36.9	61.8	-26.4	4.0
Adjusted PAT	143	94	119	175	167	127	174	281	207	215
Change (%)	0.1	-34.1	26.3	46.8	-4.4	-23.9	36.9	61.8	-26.5	4.1

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	614	722
Net Worth	348	245	198	265	322	365	431	572	676	783
Minority Interest	1	3	4	4	4	4	7	8	0	0
Loans	12	30	15	22	64	59	33	41	55	69
Deferred tax Liability	-20	-27	-54	-43	-33	-41	-41	-42	0	0
Capital Employed	341	251	164	248	357	388	430	580	731	853
Gross Fixed Assets	234	277	326	402	474	565	660	812	960	1,095
Less: Depreciation	27	56	85	116	150	187	232	279	330	377
Net Fixed Assets	207	221	241	286	323	378	428	470	630	718
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	1,361	1,423
Inventory	76	89	64	56	66	89	71	82	83	82
Debtors	114	107	87	55	144	196	114	131	133	132
Other Current Assets	241	285	351	392	490	524	588	688	688	688
Loans and Advances	1	0	10	16	11	6	4	4	4	4
Cash	409	327	326	338	295	209	365	440	453	517
Current Liabilities	767	882	1,058	1,037	1,110	1,189	1,331	1,491	1,533	1,576
Payables	33	39	45	68	101	76	86	85	87	86
Other current liabilities	734	843	1,012	968	1,009	1,113	1,245	1,405	1,446	1,490
Net Curr. Assets	74	-73	-218	-179	-104	-164	-190	-147	-172	-154
Application of Funds	341	251	164	248	357	388	430	580	731	853

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	33.5	34.9
Cash EPS	31.5	24.2	29.5	42.2	41.7	29.0	41.5	59.4	48.4	48.1
Book Value	55.1	39.5	32.0	42.9	52.2	59.3	70.0	92.9	109.6	127.1
DPS	27.4	19.9	16.5	13.1	12.0	16.0	17.0	24.3	19.4	19.7
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	15.2	12.0	8.1	8.5	11.2	8.2	5.0	6.9	6.6
Cash P/E	9.3	9.5	7.8	5.5	5.5	7.9	5.5	3.9	4.8	4.8
P/BV	5.3	5.8	7.2	5.4	4.4	3.9	3.3	2.5	2.1	1.8
EV/Adj. EBITDA	6.7	7.5	5.5	3.7	4.3	6.3	3.8	2.5	3.3	3.1
Dividend Yield (%)	9.4	8.6	7.2	5.7	5.2	6.9	7.4	10.5	8.4	8.5
EV /ton of Reserves	66.6	52.1	51.4	50.7	54.6	58.3	50.0	46.9	46.9	44.7
Profitability Ratios (%)										
Debtor (Days)	53.6	50.0	36.9	20.2	54.7	79.6	37.8	34.5	34.5	34.5
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	1.9	1.6
Profitability Ratios (%)										
RoE	41.0	38.4	35.4	66.0	51.9	34.8	40.3	49.1	30.6	27.5
RoCE	39.9	32.7	58.4	85.7	56.4	35.4	43.5	56.7	32.3	27.9
RoIC	-60.6	-40.0	-37.7	-51.7	-83.4	-295.1	-243.5	-196	-289	642
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

Y/E March	FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E
(INR b)										
Adj EBITDA*	215	151	203	300	275	200	285	406	309	317
Non cash exp. (income)	22	37	-55	11	10	19	15	22	-67	-69
(Inc)/Dec in WC	-27	60	138	-49	-123	-57	174	26	39	45
Taxes paid	-79	-89	-74	-95	-119	-57	-63	-97	-71	-73
CF from Operations	132	158	213	167	41	106	411	357	210	220
Capex	-58	-87	-85	-73	-56	-110	-120	-152	-165	-150
Free Cash Flow	74	72	127	94	-15	-4	291	205	45	70
(Pur)/Sale of Investments	0	0	-3	-1	-5	-8	-8	-7	0	0
Interest/dividend	50	35	24	31	35	24	11	27	67	69
Other investing activity	-83	-12	-13	-10	11	-14	-5	-13	-3	25
CF from Investments	-91	-65	-77	-54	-15	-107	-121	-145	-101	-55
Equity raised/(repaid)	0	-46	0	0	0	0	0	0	0	0
Debt raised/(repaid)	10	18	-15	7	23	-6	-26	8	14	14
Interest paid	0	0	0	0	-1	-2	-1	-1	-7	-8
Dividend (incl. tax)	-208	-151	-123	-112	-97	-77	-108	-143	-103	-108
Other financing	3	3	3	4	5	0	0	0	0	0
CF from Fin. Activity	-196	-176	-136	-102	-70	-85	-134	-137	-96	-101
Inc/Dec of Cash	-155	-82	-1	12	-43	-86	155	75	13	63
Add: Beginning Balance	564	409	327	326	338	295	209	365	440	453
Closing Balance	409	327	326	338	295	209	365	440	453	517

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Investment Rating	Expected return (over 12-month)
BUY	>=15%
SELL	< - 10%
NEUTRAL	< - 10 % to 15%
UNDER REVIEW	Rating may undergo a change
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Details of Compliance Officer: Neeraj Agarwal, Email Id: na@motilaloswal.com, Contact No.:022-40548085.

Grievance Redressal Cell:

Contact Person	Contact No.	Email ID
Ms. Hemangi Date	022 40548000 / 022 67490600	query@motilaloswal.com
Ms. Kumud Upadhyay	022 40548082	servicehead@motilaloswal.com
Mr. Ajay Menon	022 40548083	am@motilaloswal.com

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