

Estimate change 

TP change 

Rating change 

**CMP: INR323**

**TP: INR380 (+18%)**

**Buy**

## Performance above estimates; strong volume momentum continues

Bloomberg	COAL IN
Equity Shares (m)	6207
M.Cap.(INRb)/(USDb)	1993 / 23.9
52-Week Range (INR)	326 / 208
1, 6, 12 Rel. Per (%)	8/31/20
12M Avg Val (INR M)	2200

### Financials & Valuations (INR b)

Y/E MARCH	2023	2024E	2025E
Sales	1,383	1,391	1,485
Adj. EBITDA	406	368	386
Adj. PAT	282	253	254
EBITDA Margin (%)	29.4	26.4	26.0
Cons. Adj. EPS (INR)	45.7	41.1	41.1
EPS Gr. (%)	62.3	-10.1	0.2
BV/Sh. (INR)	93	113	134

### Ratios

Net D:E	-0.7	-0.6	-0.5
RoE (%)	49.2	36.2	30.7
RoCE (%)	56.7	39.9	33.2
Payout (%)	53.1	50.0	50.0

### Valuations

P/E (x)	7.1	7.9	7.9
P/BV (x)	3.5	2.8	2.4
EV/EBITDA(x)	3.9	4.3	4.1
Div. Yield (%)	7.5	6.4	6.4
FCF Yield (%)	10.3	4.0	4.0

### Shareholding pattern (%)

As On	Sep-23	Jun-23	Sep-22
Promoter	63.1	63.1	66.1
DII	24.2	22.4	22.6
FII	7.8	9.3	6.7
Others	4.9	5.2	4.5

- COAL's 2QFY24 revenue was up 10% YoY at INR328b and was in line with our estimate of INR318b, driven by higher volumes and FSA realization.
- Blended ASP was down 3% YoY at INR1,726/t and FSA ASP was up 9% YoY at 1,542/t. While e-auction ASP declined 53% YoY to INR2,828/t, the e-auction premium stood at 83% (higher than our estimate of 70%).
- Though the e-auction premium cooled off from the peak, it is still above its historical average and is expected to be around 80-85% for FY24E.
- Adjusted EBITDA (net of OBR) increased 11% YoY to INR89b, 54% above our estimate of INR58b, owing to lower-than-expected employee costs, contractual expenses, and input costs. Excluding OBR, EBITDA increased 12% YoY at INR82b (66% above our estimate).
- APAT increased 13% YoY to INR68b (against our estimate of INR38b). This was driven by strong operating performance and lower depreciation. COAL declared its first interim dividend of INR15.25 for FY24.
- The NCWA-XI agreement for salaries and wages for non-executive employees was implemented in June'23 and employee cost from Jun'23 onwards are being paid at revised rates.
- COAL production rose 13% YoY to 157mt and sales (dispatches) grew 12% YoY to 174mt. COAL dispatched incremental 28mt in 1HFY24 and dispatches to the power sector increased to 295mt in 1HFY24. COAL also achieved one of the highest dispatches to the non-power sector at 65.7mt (up 40% YoY).

### Valuation and view

- Power demand usually reaches its peak in May due to summer heat waves; however, comparatively drier monsoons and high economic activity kept the demand elevated in 2Q, which usually is a slow quarter.
- Power demand surpassed the CE Authorities target, with peak demand surging beyond 240 GW in 2QFY24, consequently, driving the demand for thermal power.
- Considering the huge demand from the power sector, COAL has maintained its FY24E target dispatch to the power sector at 610mt.
- Ministry of Power has set FY24 electricity generation target at 1,750bu (growth of 7.2% YoY) of which, the share of thermal power is expected to be over 75%. This augurs well for COAL to achieve strong coal production in the next few years.
- In line with the strong performance, improved outlook on volume, e-auction premiums, and lower costs, we have increased our EBITDA estimates by 16%/13% for FY24/FY25. The stock is trading at 4.1x on FY25E EV/EBITDA. We retain our BUY rating with a revised TP of INR380, valuing the stock at 5x FY25E EV/EBITDA. COAL remains our top pick in the mining sector.

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**Investors are advised to refer through important disclosures made at the last page of the Research Report.**

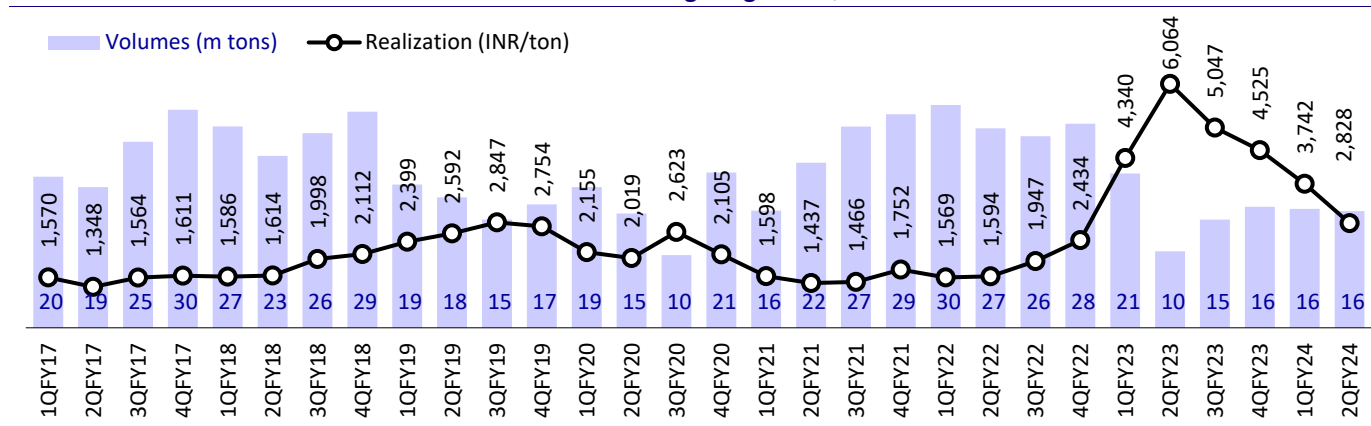
Motilal Oswal research is available on [www.motilaloswal.com/Institutional-Equities](http://www.motilaloswal.com/Institutional-Equities), Bloomberg, Thomson Reuters, Factset and S&P Capital.

**Consolidated quarterly performance (INR b)**

Y/E March	FY23				FY24E				FY23	FY24E	FY24	Var (%)
	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE				
<b>Sales</b>	<b>351</b>	<b>298</b>	<b>352</b>	<b>382</b>	<b>360</b>	<b>328</b>	<b>349</b>	<b>354</b>	<b>1,383</b>	<b>1,391</b>	<b>318</b>	<b>3</b>
Change YoY (%)	38.8	28.1	23.7	16.6	2.5	9.8	-0.8	-7.2	26.0	0.6		
Change QoQ (%)	7.3	-15.0	17.9	8.5	-5.7	-8.9	6.4	1.6				
<b>Adj. EBITDA</b>	<b>127</b>	<b>80</b>	<b>112</b>	<b>86</b>	<b>112</b>	<b>89</b>	<b>85</b>	<b>82</b>	<b>406</b>	<b>368</b>	<b>58</b>	<b>54</b>
Change YoY (%)	177.6	99.9	52.1	-30.7	-12.4	10.9	-24.0	-5.4	42.8	-9.5		
Change QoQ (%)	2.1	-37.0	40.1	-23.1	29.1	-20.3	-3.9	-4.3				
<b>EBITDA per tonne</b>	<b>717</b>	<b>519</b>	<b>639</b>	<b>461</b>	<b>597</b>	<b>512</b>	<b>445</b>	<b>412</b>	<b>584</b>	<b>489</b>	<b>333</b>	<b>54</b>
Depreciation	10	11	13	13	11	12	15	15	47	54		
OBR	5	7	8	17	6	8	9	11	38	34		
Interest	2	1	2	2	2	2	2	2	7	8		
Other Income	10	18	16	22	15	20	16	13	66	64		
EO Inc/(Exp)	-	-	-	-	-	-	-	-	-	-		
<b>PBT after EO</b>	<b>121</b>	<b>78</b>	<b>105</b>	<b>76</b>	<b>107</b>	<b>88</b>	<b>75</b>	<b>66</b>	<b>380</b>	<b>335</b>		
Tax	32	16	29	21	28	20	19	18	99	85		
Tax Rate (%)	26.8	21.0	27.4	27.9	25.8	23.2	25.2	26.8	26.0	25.2		
<b>PAT before MI &amp; Asso.</b>	<b>89</b>	<b>62</b>	<b>76</b>	<b>55</b>	<b>80</b>	<b>67</b>	<b>56</b>	<b>48</b>	<b>281</b>	<b>251</b>		
MI and Asso.	(0)	(1)	1	1	0	1	1	1	0	2		
<b>PAT After MI &amp; Asso.</b>	<b>88</b>	<b>60</b>	<b>78</b>	<b>55</b>	<b>80</b>	<b>68</b>	<b>57</b>	<b>49</b>	<b>282</b>	<b>253</b>		
<b>Adjusted PAT</b>	<b>88</b>	<b>60</b>	<b>78</b>	<b>55</b>	<b>80</b>	<b>68</b>	<b>57</b>	<b>49</b>	<b>282</b>	<b>253</b>	<b>38</b>	<b>78</b>
Change YoY (%)	178.3	105.7	70.1	-17.5	-9.8	12.5	-27.0	-11.8	62.1	-10.1		
Change QoQ (%)	31.7	-31.6	28.3	-28.7	44.1	-14.7	-16.8	-13.8				

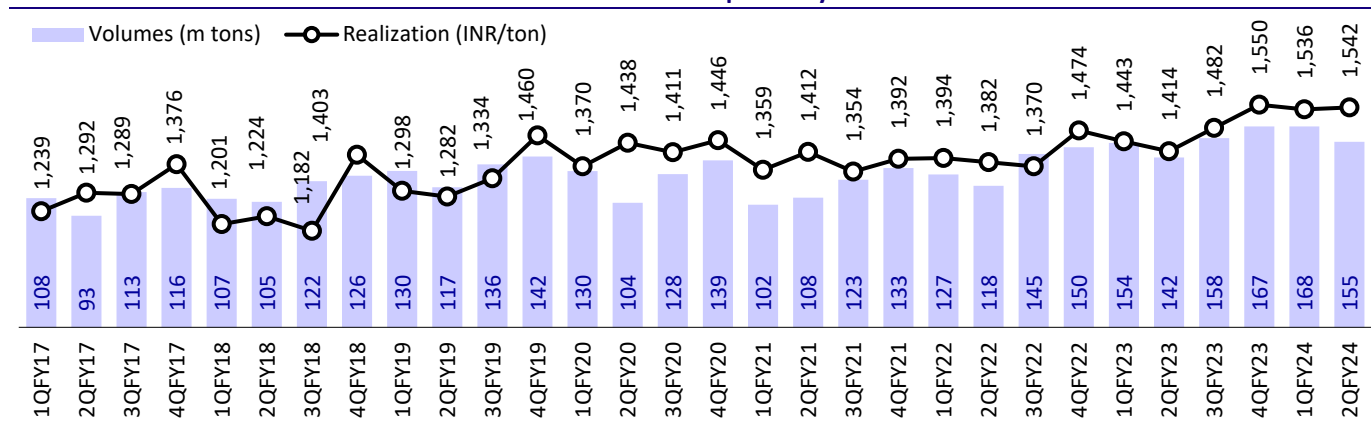
Source: MOFSL, Company

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



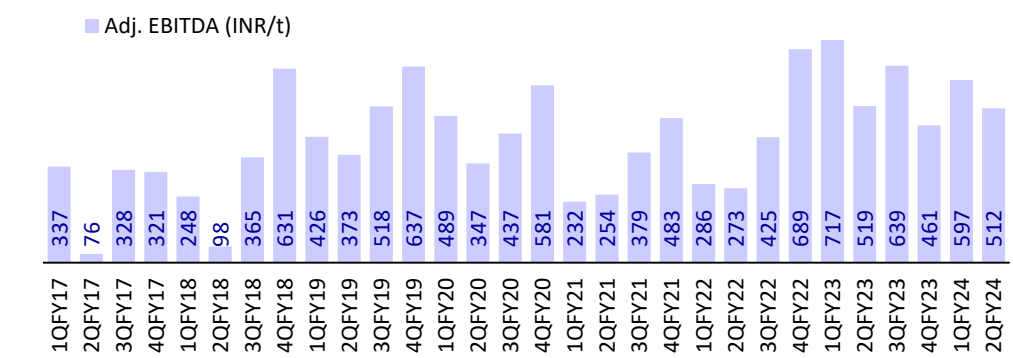
Source: MOFSL, Company

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



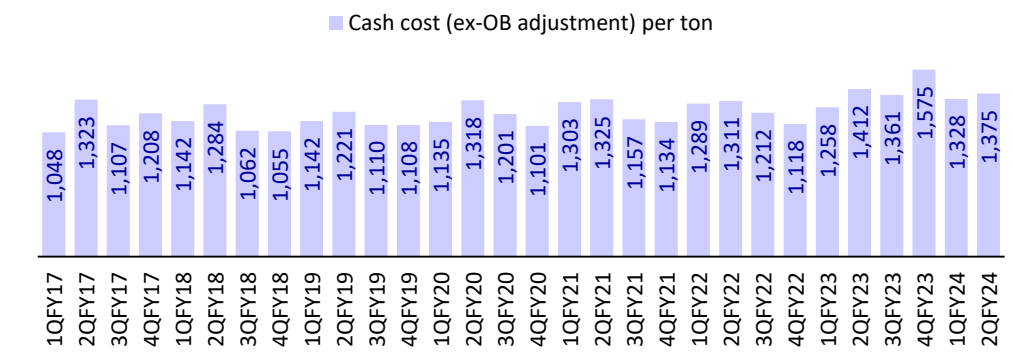
Source: MOFSL, Company

**Exhibit 3: Adjusted EBITDA/t was down QoQ**



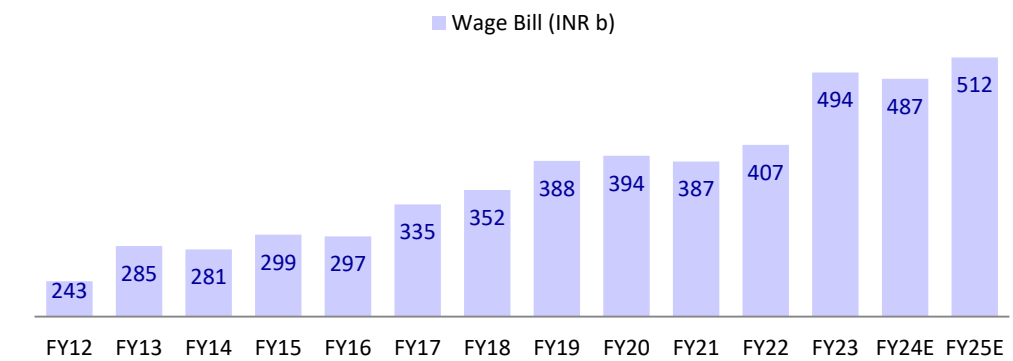
Source: MOFSL, Company

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



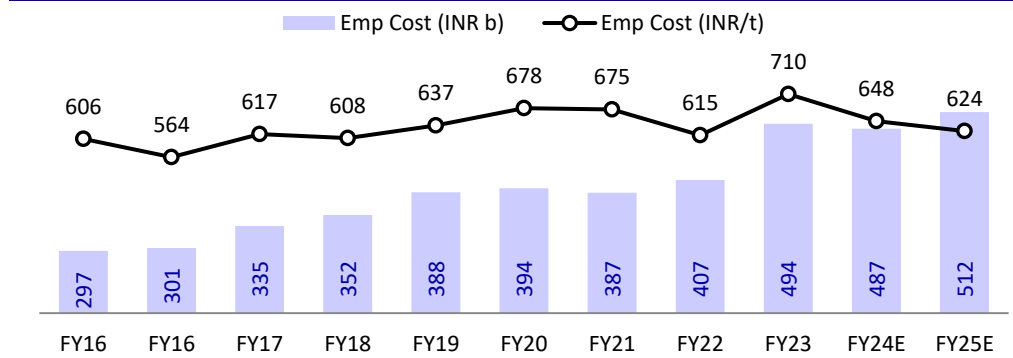
Source: MOFSL, Company

**Exhibit 5: Wage bill (employee expense) witnessed a sudden surge in FY23, on the back of higher NCWA-XI wage provisions; wage bill has stabilized from Jun'23 onwards**



Source: MOFSL, Company

**Exhibit 6: Higher dispatches will keep a check on rising absolute employee cost; employee cost/t expected to reduce from FY24E onwards**



Source: MOFSL, Company

**Exhibit 7: Key assumptions and changes to our estimates**

	UoM	FY24E			FY25E		
		New	Old	% change	New	Old	% change
<b>Total Dispatch</b>	mt	751	747	1%	821	814	1%
<b>ASP</b>							
Revenue	INR b	1,391	1,380	1%	1,485	1,469	1%
Adj EBITDA	INR b	368	317	16%	386	340	13%
PAT	INR b	253	214	18%	254	222	14%

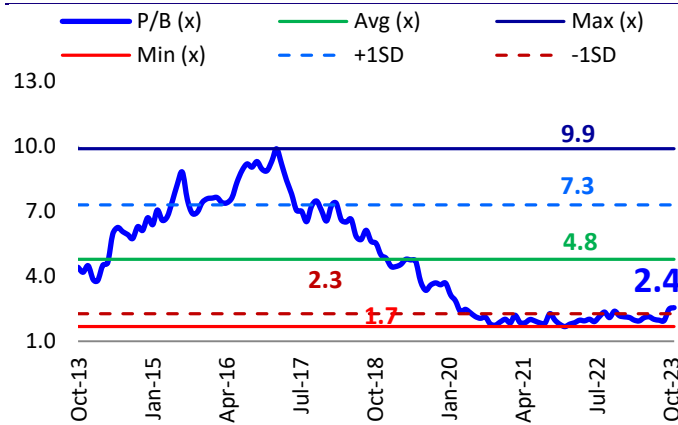
Source: MOFSL, Company

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

Target Price calculations	UoM	FY25E
Adjusted EBITDA	INR b	386
Target EV/EBITDA (x)	x	5.0
Target EV	INR b	1,929
Net debt	INR b	(413)
Equity value	INR b	6
<b>TP</b>		<b>380</b>

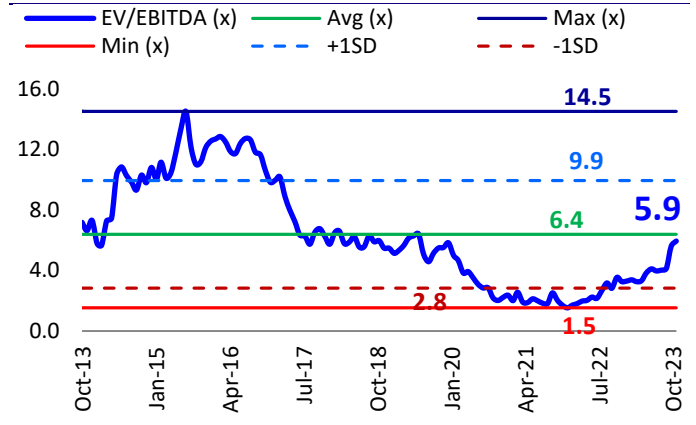
Source: MOFSL, Company

**Exhibit 9: COAL P/B multiple remains cheap & near its -1SD...**



Source: MOFSL, Company

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



Source: MOFSL, Company

**Exhibit 11: Global comparative valuations**

Company	M-Cap USD mn	P/E (x)		EV/EBITDA (x)		P/B (x)		RoE (%)	
		CY22/ FY23	CY23/ FY24	CY22/ FY23	CY23/ FY24	CY22/ FY23	CY23/ FY24	CY22/ FY23	CY23/ FY24
<b>Coal</b>	<b>23,951</b>	<b>7.1</b>	<b>7.9</b>	<b>3.9</b>	<b>4.3</b>	<b>3.5</b>	<b>2.8</b>	<b>49.2</b>	<b>36.2</b>
China Shenhua	80,026	7.1	7.2	5.4	5.4	1.1	1.0	14.9	14.1
Banpu	2,155	8.6	7.9	5.3	4.8	0.6	0.6	7.3	6.3
Bukit Asam	1,731	4.5	5.0	2.8	3.1	1.2	1.1	23.8	21.9
Adaro Energy	5,011	3.2	4.5	1.4	1.7	0.7	0.7	22.8	14.8

Source: MOFSL, Company

## Financials and valuations

Income Statement									(INR b)
Y/E March	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E
<b>Net Sales</b>	<b>784</b>	<b>859</b>	<b>995</b>	<b>961</b>	<b>900</b>	<b>1,097</b>	<b>1,383</b>	<b>1,391</b>	<b>1,485</b>
Change (%)	0.5	9.6	15.9	-3.5	-6.3	21.9	26.0	0.6	6.8
Operating Expenses	660	689	746	742	715	850	1,014	1,057	1,140
<b>EBITDA</b>	<b>124</b>	<b>170</b>	<b>250</b>	<b>219</b>	<b>186</b>	<b>247</b>	<b>368</b>	<b>334</b>	<b>345</b>
% of Net Sales	15.8	19.7	25.1	22.8	20.6	22.5	26.6	24.0	23.2
<b>Adjusted EBITDA</b>	<b>151</b>	<b>203</b>	<b>300</b>	<b>275</b>	<b>200</b>	<b>285</b>	<b>406</b>	<b>368</b>	<b>386</b>
adj. EBITDA/ton	277	350	494	473	349	430	584	489	470
Depreciation	29	31	35	35	37	44	47	54	63
Interest	4	4	3	5	6	5	7	8	9
Other Income	55	47	59	61	38	39	66	64	61
Extra Ordinary exp (inc)	0	74	0	0	0	0	0	0	0
<b>PBT after EO</b>	<b>146</b>	<b>107</b>	<b>271</b>	<b>241</b>	<b>180</b>	<b>236</b>	<b>380</b>	<b>335</b>	<b>334</b>
Tax	52	37	97	74	53	62	99	85	84
Rate (%)	35.4	34.6	35.6	30.6	29.5	26.4	26.0	25.2	25.2
<b>PAT (before MI and Sh. of Asso.)</b>	<b>94</b>	<b>70</b>	<b>175</b>	<b>167</b>	<b>127</b>	<b>174</b>	<b>281</b>	<b>251</b>	<b>250</b>
Minority Interest and Sh. of associates	0	0	0	0	0	0	0	2	3
<b>Reported PAT (after MI and Sh. of Asso.)</b>	<b>94</b>	<b>70</b>	<b>175</b>	<b>167</b>	<b>127</b>	<b>174</b>	<b>282</b>	<b>253</b>	<b>254</b>
Change (%)	-34.1	-25.5	148.8	-4.3	-24.0	36.7	62.3	-10.1	0.2
<b>Adjusted PAT</b>	<b>94</b>	<b>119</b>	<b>175</b>	<b>167</b>	<b>127</b>	<b>174</b>	<b>282</b>	<b>253</b>	<b>254</b>
Change (%)	-34.1	26.3	46.8	-4.3	-24.0	36.7	62.3	-10.1	0.2

Balance Sheet									(INR b)
Y/E March	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E
Share Capital	62	62	62	62	62	62	62	62	62
Reserves	183	136	203	260	304	370	511	637	764
<b>Net Worth</b>	<b>245</b>	<b>198</b>	<b>265</b>	<b>322</b>	<b>365</b>	<b>431</b>	<b>572</b>	<b>699</b>	<b>826</b>
Minority Interest	3	4	4	4	4	7	8	5	2
Loans	30	15	22	64	59	33	41	46	51
Deffered tax Liability	-27	-54	-43	-33	-41	-41	-42	-42	-42
<b>Capital Employed</b>	<b>251</b>	<b>164</b>	<b>248</b>	<b>357</b>	<b>388</b>	<b>430</b>	<b>580</b>	<b>709</b>	<b>837</b>
<b>Gross Fixed Assets</b>	<b>277</b>	<b>326</b>	<b>402</b>	<b>474</b>	<b>565</b>	<b>660</b>	<b>723</b>	<b>872</b>	<b>984</b>
Less: Depreciation	56	85	116	150	187	232	253	307	370
<b>Net Fixed Assets</b>	<b>221</b>	<b>241</b>	<b>286</b>	<b>323</b>	<b>378</b>	<b>428</b>	<b>470</b>	<b>565</b>	<b>615</b>
Capital Work in Progress	103	138	137	128	151	168	225	242	254
Investments	0	3	5	9	23	24	31	31	31
<b>Current Assets</b>	<b>809</b>	<b>839</b>	<b>857</b>	<b>1,007</b>	<b>1,025</b>	<b>1,141</b>	<b>1,344</b>	<b>1,362</b>	<b>1,434</b>
Inventory	89	64	56	66	89	71	82	82	88
Debtors	107	87	55	144	196	114	131	131	140
Other Current Assets	285	351	392	490	524	588	688	692	739
Loans and Advances	0	10	16	11	6	4	4	4	4
Cash (incl. bank balance)	327	326	338	295	209	365	440	453	464
<b>Current Liabilities</b>	<b>882</b>	<b>1,058</b>	<b>1,037</b>	<b>1,110</b>	<b>1,189</b>	<b>1,331</b>	<b>1,491</b>	<b>1,491</b>	<b>1,497</b>
Payables	39	45	68	101	76	86	85	86	92
Other current liabilities	843	1,012	968	1,009	1,113	1,245	1,405	1,405	1,405
<b>Net Curr. Assets</b>	<b>-73</b>	<b>-218</b>	<b>-179</b>	<b>-104</b>	<b>-164</b>	<b>-190</b>	<b>-147</b>	<b>-129</b>	<b>-63</b>
<b>Application of Funds</b>	<b>251</b>	<b>164</b>	<b>248</b>	<b>357</b>	<b>388</b>	<b>430</b>	<b>580</b>	<b>709</b>	<b>837</b>

## Financials and valuations

### Ratios

Y/E March	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E
<b>Basic</b>									
<b>Adjusted EPS</b>	<b>15.2</b>	<b>19.2</b>	<b>28.3</b>	<b>27.1</b>	<b>20.6</b>	<b>28.2</b>	<b>45.7</b>	<b>41.1</b>	<b>41.1</b>
Cash EPS	24.2	29.5	42.2	41.7	29.0	41.5	59.5	56.2	57.2
Book Value	39.5	32.0	42.9	52.2	59.3	70.0	92.9	113.4	134.0
DPS	19.9	16.5	13.1	12.0	16.0	17.0	24.3	20.5	20.6
Payout (incl. Div. Tax.)	160.3	103.3	46.2	44.4	77.6	60.4	53.1	50.0	50.0
<b>Valuation (x)</b>									
P/E	21.3	16.9	11.4	11.9	15.7	11.5	7.1	7.9	7.9
Cash P/E	13.4	10.9	7.7	7.7	11.1	7.8	5.4	5.8	5.6
P/BV	8.2	10.1	7.5	6.2	5.5	4.6	3.5	2.8	2.4
EV/Adj. EBITDA	11.3	8.3	5.6	6.4	9.2	5.8	3.9	4.3	4.1
Dividend Yield (%)	6.2	5.1	4.1	3.7	5.0	5.3	7.5	6.4	6.4
<b>Profitability Ratios (%)</b>									
Debtor (Days)	50.0	36.9	20.2	54.7	79.6	37.8	34.5	34.5	34.5
Inventory (Days)	41.7	27.4	20.5	25.1	36.3	23.5	21.5	21.5	21.5
Payables (Days)	18.2	19.2	25.0	38.4	31.0	28.6	22.6	22.6	22.6
Asset turnover(x)	3.1	5.2	4.0	2.7	2.3	2.6	2.4	2.0	1.8
<b>Profitability Ratios (%)</b>									
RoE	38.4	35.4	66.0	52.0	34.8	40.2	49.2	36.2	30.7
RoCE (post tax)	32.7	58.4	85.7	56.4	35.4	43.5	56.7	39.9	33.2
RoIC (post tax)	-40.0	-37.7	-51.7	-83.4	-295.1	-243.5	-196	-313	596
<b>Leverage Ratio</b>									
Net Debt/Equity (x)	-1.2	-1.6	-1.2	-0.7	-0.4	-0.8	-0.7	-0.6	-0.5

### Cash Flow Statement

(INR b)

Y/E March	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E
<b>Adj EBITDA*</b>	<b>151</b>	<b>203</b>	<b>300</b>	<b>275</b>	<b>200</b>	<b>285</b>	<b>406</b>	<b>368</b>	<b>386</b>
(Inc)/Dec in WC	60	138	-49	-123	-56	175	26	-5	-56
Taxes paid	-89	-74	-95	-119	-57	-63	-97	-85	-84
Others	37	-55	11	10	19	15	22	-34	-41
<b>CF from Operations</b>	<b>158</b>	<b>213</b>	<b>167</b>	<b>41</b>	<b>106</b>	<b>411</b>	<b>357</b>	<b>244</b>	<b>205</b>
Capex	-87	-85	-73	-56	-109	-120	-152	-165	-125
<b>Free Cash Flow</b>	<b>72</b>	<b>127</b>	<b>94</b>	<b>-15</b>	<b>-3</b>	<b>291</b>	<b>205</b>	<b>79</b>	<b>80</b>
(Pur)/Sale of Investments	0	-3	-1	-5	-8	-8	-7	0	0
Interest/dividend	35	24	31	35	22	11	27	64	61
Other investing activity	57	-12	-39	29	96	-140	-102	0	0
<b>CF from Investments</b>	<b>5</b>	<b>-77</b>	<b>-83</b>	<b>3</b>	<b>2</b>	<b>-257</b>	<b>-234</b>	<b>-101</b>	<b>-64</b>
Equity raised/(repaid)	-46	0	0	0	0	0	0	0	0
Debt raised/(repaid)	18	-15	7	23	-6	-26	8	5	5
Interest paid	0	0	0	-1	-2	-1	-1	-8	-9
Dividend (incl. tax)	-151	-123	-112	-97	-77	-108	-143	-127	-127
Other financing	3	3	4	5	0	0	0	0	0
<b>CF from Fin. Activity</b>	<b>-176</b>	<b>-136</b>	<b>-102</b>	<b>-70</b>	<b>-85</b>	<b>-134</b>	<b>-137</b>	<b>-130</b>	<b>-131</b>
<b>Inc/Dec of Cash</b>	<b>-13</b>	<b>0</b>	<b>-17</b>	<b>-25</b>	<b>23</b>	<b>20</b>	<b>-14</b>	<b>14</b>	<b>10</b>
Add: Beginning Cash Balance	83	70	70	53	28	51	71	57	70
Closing cash Balance	70	70	53	28	51	71	57	70	81
Bank Balance	257	257	286	267	158	294	383	383	383
<b>Closing Balance (incl. bank bal.)</b>	<b>327</b>	<b>326</b>	<b>338</b>	<b>295</b>	<b>209</b>	<b>365</b>	<b>440</b>	<b>453</b>	<b>464</b>

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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

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