

04 December 2023

India | Equity Research | Company Update

## Coal India

Power/Mining

### Operating performance continues to improve

Coal India's (CIL) Nov'23 operating performance remains robust. Key points: 1) Supplies to regulated and non-regulated sectors rose 5.8% YoY and 7.4% YoY, respectively; 2) during 8MFY24, both BCCL and NCL achieved their respective progressive targets, while SECL has accounted for 42% of incremental coal supply; and 3) pithead inventory stands at comfortable 45mt, up 58% YoY. Going ahead, we expect firm international coal prices to have a trickle-down effect on e-auction prices, resulting in better profitability. At this stage, we still believe the street's EPS estimate of INR 41 each for FY24/FY25 looks conservative. We retain **BUY** on CIL with an unchanged TP of INR 395 (8x FY25E EPS).

### Robust operating performance sustains

CIL continued its impressive operating performance in Nov'23. Key highlights: 1) Offtake and production at 2.1mt/day and 2.2mt/day were the highest ever for Nov month; 2) SECL and WCL accounted for 42% and 16% of incremental sales volume in 8MFY24, while MCL has lagged due to land acquisition issues; 3) supply to regulated and non-regulated sectors was up 5.8% YoY at 52.7mt and 7.4% YoY at 10.3mt, respectively; 4) pithead inventory at 45mt implies additional demand can be met; and 5) top 35 mines accounted for 75% of production in 8MFY24. The 8MFY24 production and offtake growth rate of CIL stands at 10.8% YoY (our estimate: 8% YoY) and 8.9% (our estimate: 8.1% YoY). Hence, we do not see a risk to our volume estimates.

### Global tailwinds might keep e-auction prices stable

We expect China's thermal coal imports to stay elevated in the near term owing to domestic production being impacted as a result of mine closures pursuant to safety audits and lower hydro-power generation. As a result, the price of Indonesian coal (4200 kcal) has gone up 17% since Aug'23, to USD 58.94/t. Besides, rising cost for Indonesian players may provide support to prices. In its recent result, the largest coal miner in Indonesia, Bumi Resources guided for a cash cost of production at USD 55-60/t in CY23 against FOB realisation of USD 71/t in Q3CY23. In our view, the higher price of Indonesian coal may aid CIL's e-auction price.

### Financial Summary

Y/E March (INR mn)	FY22A	FY23A	FY24E	FY25E
Net Revenue	10,97,135	13,82,519	14,29,614	14,97,772
EBITDA	2,46,905	3,68,179	3,89,317	4,16,512
EBITDA Margin (%)	22.5	26.6	27.2	27.8
Net Profit	1,73,870	2,81,331	2,95,613	3,13,983
EPS (INR)	28.2	45.7	48.0	50.9
EPS % Chg YoY	114.4	61.8	5.1	6.2
P/E (x)	12.3	7.6	7.2	6.8
EV/EBITDA (x)	7.2	4.6	4.5	4.0
RoCE (%)	34.7	46.9	40.8	35.5
RoE (%)	46.0	60.8	51.9	45.0

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#### Market Data

Market Cap (INR)	2,136bn
Market Cap (USD)	25,639mn
Bloomberg Code	COAL IN
Reuters Code	COAL.BO
52-week Range (INR)	360 /208
Free Float (%)	37.0
ADTV-3M (mn) (USD)	51.0

Price Performance (%)	3m	6m	12m
Absolute	46.3	50.5	53.3
Relative to Sensex	2.8	7.9	7.3

ESG Disclosure	2021	2022	Change
ESG score	44.3	41.5	(2.8)
Environment	29.0	29.0	-
Social	37.7	37.7	-
Governance	66.1	57.7	(8.4)

Note - Score ranges from 0 - 100 with a higher score indicating higher ESG disclosures.

Source: Bloomberg, I-sec research

#### Previous Reports

22-11-2023: [Q2FY24 concall review](#)

11-11-2023: [Q2FY24 result review](#)

### Outlook: Plenty of positives remain; maintain BUY

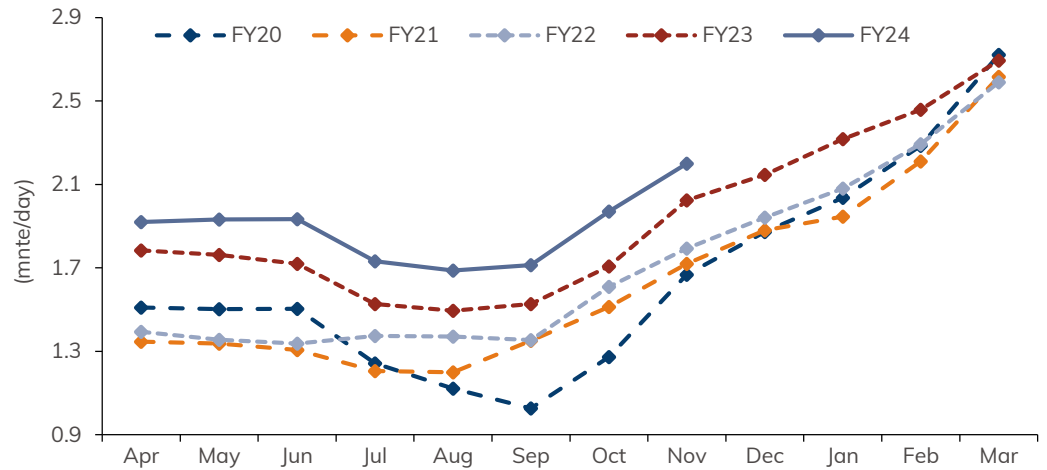
In our view, CIL is likely to benefit from both volume uptick and firm e-auction prices. Taking cognisance of 8MFY24 performance, we believe there is no risk to our volume estimate of 751mt for FY24E. Besides, e-auction prices have started increasing again due to uptick in Indonesian coal price. We believe there is headroom of at least 20% upward revision in consensus estimates. We maintain **BUY** on CIL with an unchanged TP of INR 395 based on 8x FY25E EPS. Our recommendation is also based on dividend yield of 8-10% through to FY25.

#### Exhibit 1: Performance snapshot

(mnte)	Nov-23	Nov-22	Oct-23	YoY (%)	MoM (%)	YTD Nov-24	YTD Nov-23	% growth	FY24E	FY23	Growth %
Production volume	66.0	60.7	61.1	8.7	8.0	458	413	10.8	760	703	8.0
Despatch volume	63.1	59.4	61.6	6.2	2.4	486	446	8.9	751	695	8.1

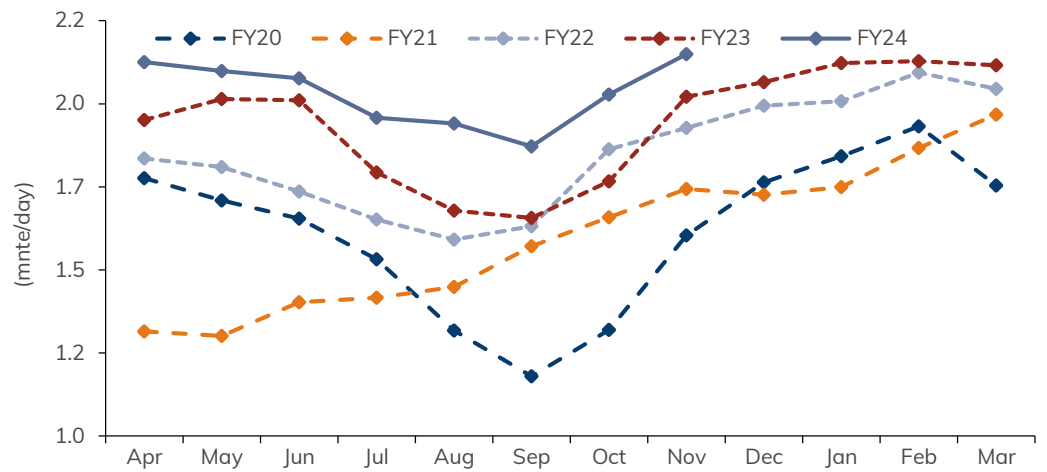
Source: I-Sec research, Company data

#### Exhibit 2: Production uptick sustains



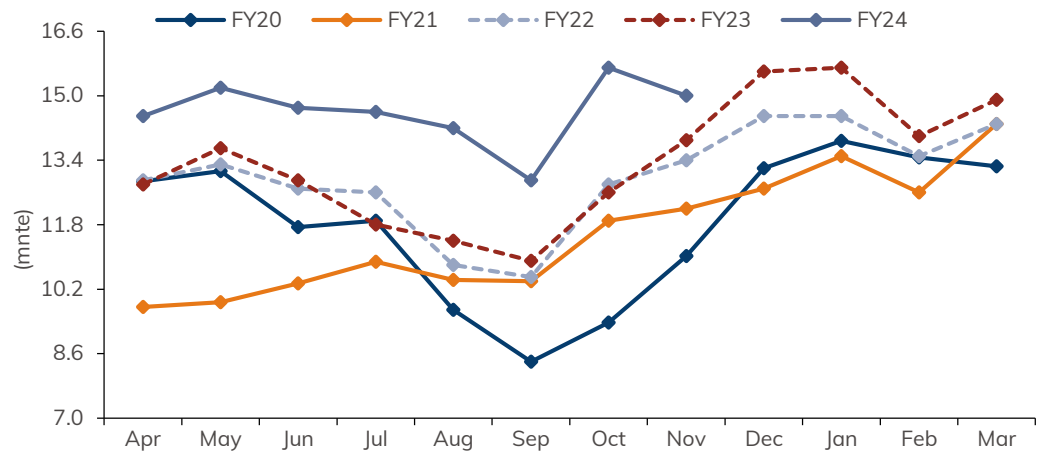
Source: I-Sec research, Company data

#### Exhibit 3: Sales volume stays elevated



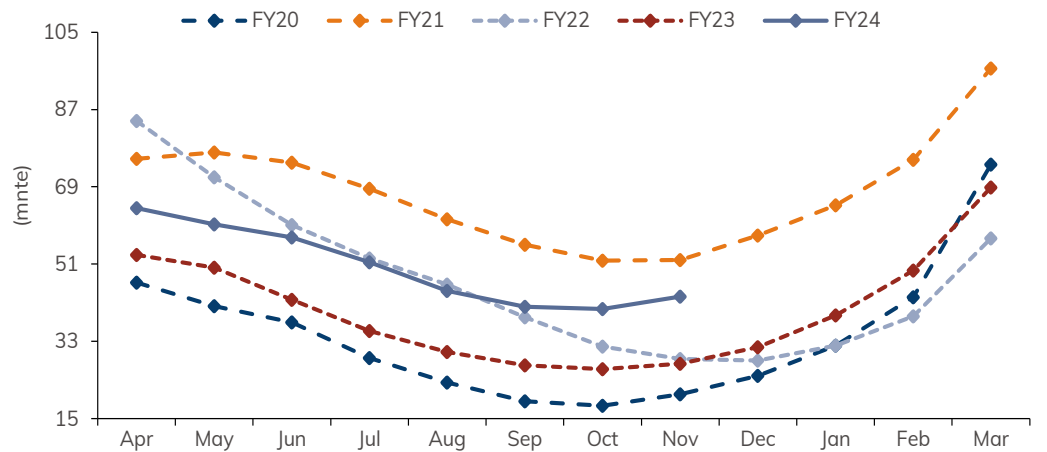
Source: I-Sec research, Company data

**Exhibit 4: SECL's performance continues to be best-ever**



Source: I-Sec research, Company data

**Exhibit 5: Pit-head inventory remains at a comfortable level**



Source: I-Sec research, Company data

**Key risks to business model**

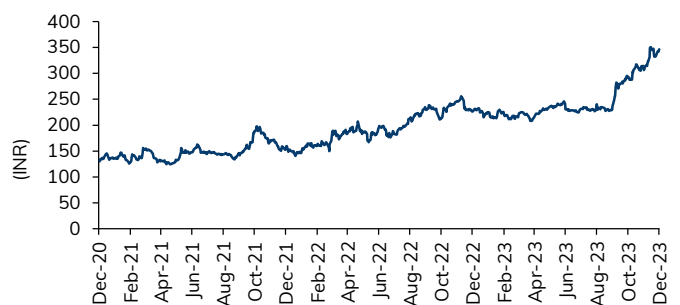
- Dip in e-auction prices
- Power demand surge leading to insufficient volumes left for NRS
- Operational hiccups at key subsidiaries – SECL & MCL

**Exhibit 1: Shareholding pattern**

%	Mar'23	Jun'23	Sep'23
Promoters	66.1	63.1	63.1
Institutional investors	28.9	31.6	31.6
MFs and others	8.7	9.7	11.1
FIs/Banks	0.0	0.0	0.3
Insurance	12.4	12.3	12.5
FIIIs	7.8	9.6	7.8
Others	4.9	5.3	5.3

Source: Bloomberg

**Exhibit 2: Price chart**



Source: Bloomberg

## Financial Summary

### Exhibit 3: Profit & Loss

(INR mn, year ending March)

	FY22A	FY23A	FY24E	FY25E
<b>Net Sales</b>	<b>10,97,135</b>	<b>13,82,519</b>	<b>14,29,614</b>	<b>14,97,772</b>
Operating Expenses	8,50,230	10,14,340	10,40,297	10,81,260
<b>EBITDA</b>	<b>2,46,905</b>	<b>3,68,179</b>	<b>3,89,317</b>	<b>4,16,512</b>
EBITDA Margin (%)	22.5	26.6	27.2	27.8
Depreciation & Amortization	44,287	46,753	50,375	56,525
EBIT	2,02,618	3,21,426	3,38,942	3,59,987
Interest expenditure	5,415	6,843	7,716	6,858
Other Non-operating Income	39,045	65,507	68,158	71,076
<b>Recurring PBT</b>	<b>2,36,249</b>	<b>3,80,090</b>	<b>3,99,385</b>	<b>4,24,204</b>
<b>Profit / (Loss) from Associates</b>	-	-	-	-
Less: Taxes	62,379	98,759	1,03,772	1,10,221
PAT	1,73,870	2,81,331	2,95,613	3,13,983
Less: Minority Interest	-	-	-	-
Extraordinaries (Net)	-	-	-	-
<b>Net Income (Reported)</b>	<b>1,73,870</b>	<b>2,81,331</b>	<b>2,95,613</b>	<b>3,13,983</b>
<b>Net Income (Adjusted)</b>	<b>1,73,870</b>	<b>2,81,331</b>	<b>2,95,613</b>	<b>3,13,983</b>

Source Company data, I-Sec research

### Exhibit 4: Balance sheet

(INR mn, year ending March)

	FY22A	FY23A	FY24E	FY25E
<b>Total Current Assets</b>	<b>8,55,635</b>	<b>10,34,887</b>	<b>10,10,359</b>	<b>10,97,235</b>
of which cash & cash eqv.	2,91,795	3,99,219	3,51,426	4,35,285
<b>Total Current Liabilities &amp; Provisions</b>	<b>5,73,505</b>	<b>6,86,665</b>	<b>6,69,729</b>	<b>6,75,229</b>
<b>Net Current Assets</b>	<b>2,82,131</b>	<b>3,48,222</b>	<b>3,40,630</b>	<b>4,22,006</b>
Investments	98,898	1,00,388	1,00,388	1,00,388
Net Fixed Assets	4,65,713	4,93,728	5,78,354	6,56,828
ROU Assets	-	-	-	-
Capital Work-in-Progress	1,27,137	1,52,626	1,67,626	1,82,626
Total Intangible Assets	1,056	25,881	25,881	25,881
Other assets	2,50,459	3,00,834	3,00,834	3,00,834
Deferred Tax assets	-	-	-	-
<b>Total Assets</b>	<b>12,28,929</b>	<b>14,25,402</b>	<b>15,17,435</b>	<b>16,92,285</b>
<b>Liabilities</b>				
<b>Borrowings</b>	<b>33,540</b>	<b>41,744</b>	<b>60,744</b>	<b>60,744</b>
<b>Deferred Tax Liability</b>	<b>8,110</b>	<b>13,307</b>	<b>13,307</b>	<b>13,307</b>
provisions	7,49,110	7,90,195	7,52,497	7,98,247
other Liabilities	-	-	-	-
Equity Share Capital	61,627	61,627	61,627	61,627
Reserves & Surplus	3,69,803	5,10,822	6,21,552	7,50,654
<b>Total Net Worth</b>	<b>4,31,430</b>	<b>5,72,449</b>	<b>6,83,180</b>	<b>8,12,281</b>
Minority Interest	6,738	7,707	7,707	7,707
<b>Total Liabilities</b>	<b>12,28,929</b>	<b>14,25,402</b>	<b>15,17,435</b>	<b>16,92,285</b>

Source Company data, I-Sec research

### Exhibit 5: Quarterly trend

(INR mn, year ending March)

	Dec-22	Mar-23	Jun-23	Sep-23
Net Sales	3,51,693	3,81,523	3,59,832	3,27,764
% growth (YOY)	23.7	16.6	2.5	9.8
EBITDA	1,03,887	68,981	1,05,139	81,370
Margin %	29.5	18.1	29.2	24.8
Other Income	15,850	22,100	15,378	19,839
Extraordinaries	-	-	-	-
Adjusted Net Profit	77,191	55,276	79,414	68,135

Source Company data, I-Sec research

### Exhibit 6: Cashflow statement

(INR mn, year ending March)

	FY22A	FY23A	FY24E	FY25E
<b>Operating Cashflow</b>	<b>4,45,126</b>	<b>4,92,736</b>	<b>3,05,787</b>	<b>3,72,992</b>
Working Capital Changes	1,01,751	(31,604)	(40,200)	2,483
Capital Commitments	(1,19,956)	(1,41,027)	(1,50,000)	(1,50,000)
<b>Free Cashflow</b>	<b>3,25,171</b>	<b>3,51,709</b>	<b>1,55,787</b>	<b>2,22,992</b>
<b>Other investing cashflow</b>	-	-	-	-
Cashflow from Investing Activities	(1,19,956)	(1,41,027)	(1,50,000)	(1,50,000)
Issue of Share Capital	-	-	-	-
Interest Cost	-	-	-	-
Inc (Dec) in Borrowings	(25,732)	8,052	19,000	-
Dividend paid	(1,07,834)	(1,43,281)	(1,84,882)	(1,84,882)
Others	-	-	-	-
Cash flow from Financing Activities	(1,33,566)	(1,35,229)	(1,65,882)	(1,84,882)
<b>Chg. in Cash &amp; Bank balance</b>	<b>1,91,605</b>	<b>2,16,480</b>	<b>(10,094)</b>	<b>38,110</b>
Closing cash & balance	3,64,708	5,08,274	3,89,124	3,89,536

Source Company data, I-Sec research

### Exhibit 7: Key ratios

(Year ending March)

	FY22A	FY23A	FY24E	FY25E
<b>Per Share Data (INR)</b>				
Reported EPS	28.2	45.7	48.0	50.9
Adjusted EPS (Diluted)	28.2	45.7	48.0	50.9
Cash EPS	35.4	53.2	56.1	60.1
Dividend per share (DPS)	17.0	24.0	30.0	30.0
Book Value per share (BV)	70.0	92.9	110.9	131.8
Dividend Payout (%)	60.3	52.6	62.5	58.9
<b>Growth (%)</b>				
Net Sales	21.9	26.0	3.4	4.8
EBITDA	76.7	49.1	5.7	7.0
EPS (INR)	114.4	61.8	5.1	6.2
<b>Valuation Ratios (x)</b>				
P/E	12.3	7.6	7.2	6.8
P/CEPS	9.8	6.5	6.2	5.8
P/BV	5.0	3.7	3.1	2.6
EV / EBITDA	7.2	4.6	4.5	4.0
P / Sales	1.9	1.5	1.5	1.4
Dividend Yield (%)	4.9	6.9	8.7	8.7
<b>Operating Ratios</b>				
Gross Profit Margins (%)	89.2	90.3	91.3	91.0
EBITDA Margins (%)	22.5	26.6	27.2	27.8
Effective Tax Rate (%)	26.4	26.0	26.0	26.0
Net Profit Margins (%)	15.8	20.3	20.7	21.0
NWC / Total Assets (%)	-	-	-	-
Net Debt / Equity (x)	(0.8)	(0.8)	(0.6)	(0.6)
Net Debt / EBITDA (x)	(1.4)	(1.2)	(1.0)	(1.1)
<b>Profitability Ratios</b>				
RoCE (%)	34.7	46.9	40.8	35.5
RoE (%)	46.0	60.8	51.9	45.0
RoIC (%)	123.5	178.9	149.6	104.2
Fixed Asset Turnover (x)	2.6	3.0	2.8	2.6
Inventory Turnover Days	26.2	26.4	22.1	21.0
Receivables Days	42.1	42.3	43.9	39.6
Payables Days	31.8	27.7	19.2	18.8

Source Company data, I-Sec research

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