

02 January 2024

India | Equity Research | Company Update

Coal India

Power/Mining

Volume growth continues despite high base

Coal India's (CIL) Dec'23 operating performance stayed robust despite the high base. Key points: 1) Production growth continued to surpass sales growth; 2) MCL's volume growth has recovered as land acquisition issues seem to be over now; 3) ECL's recovery continued with offtake growth of 35% YoY; and 4) implied pithead inventory at 48.7mnte stays comfortable. Going ahead, we believe CIL is likely to achieve our FY24 offtake estimate of 751mt. Besides, the recent uptick in e-auction prices/volume bodes well for profitability. At this stage, we introduce FY26 estimates and value CIL at 7.5x EPS (earlier 8x EPS) as we roll over to FY26E. Our revised TP works out to INR 435 (earlier INR 395). We maintain **BUY** rating on the stock. Our recommendation is also based on a dividend yield of 8% through to FY26.

Volume growth sustains

CIL reported a robust operating performance in Dec'23 despite the higher base of last year. Key points: 1) Production and sales volumes were up 8.2% YoY at 2.32mnte/day and 6.1% YoY at 2.15mnte/day, respectively; 2) ECL sustained its impressive performance for the fourth month in a row with 35.1% YoY offtake growth; 3) among larger subsidiaries, MCL's offtake was up 6.2% YoY, while SECL's offtake was up a mere 0.7% YoY mainly due to a decline of 1% YoY in production; and 4) pithead inventory at 48.7mnte is sufficient to meet any potential demand uptick. Going ahead, we believe our FY24 offtake estimate of 751mnte (up 8.1% YoY) is likely to be met as YTD FY24 offtake is up 8.6% YoY; thus, required offtake growth for Q4FY24 stands at 6.8% YoY. On production front, we expect CIL to exceed our FY24 estimate of 760mnte (up 8% YoY) as required production growth rate in Q4FY24 is at a mere 1.8% YoY and production generally picks up significantly in Q4.

Recent e-auction trends positive

Our channel checks indicate e-auction premium for Oct'23 and Nov'23 was 100.5% (Q2FY24: 84%) on average over FSA price and e-auction price was INR 3,350/te (Q2FY24: INR 2,838/te). With tailwinds of elevated Chinese coal imports and high cash cost in Indonesia, we believe e-auction prices are likely to stay firm. Hence, we believe there is an upside risk to our FY24E EPS.

Financial Summary

Y/E March (INR mn)	FY23A	FY24E	FY25E	FY26E
Net Revenue	13,82,519	14,29,614	14,97,772	15,80,343
EBITDA	3,68,179	3,89,317	4,16,512	4,66,962
EBITDA Margin (%)	26.6	27.2	27.8	29.5
Net Profit	2,81,331	2,95,613	3,13,983	3,60,738
EPS (Rs)	45.7	48.0	50.9	58.5
EPS % Chg YoY	61.8	5.1	6.2	14.9
P/E (x)	8.4	8.0	7.5	6.5
EV/EBITDA (x)	5.1	5.0	4.5	3.7
RoCE (%)	46.9	40.8	35.5	33.4
RoE (%)	60.8	51.9	45.0	43.2

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Market Data

Market Cap (INR)	2,353bn
Market Cap (USD)	28,296mn
Bloomberg Code	COAL IN
Reuters Code	COAL.BO
52-week Range (INR)	387 /208
Free Float (%)	37.0
ADTV-3M (mn) (USD)	52.1

Price Performance (%)	3m	6m	12m
Absolute	29.3	65.3	69.7
Relative to Sensex	19.5	53.6	50.9

Previous Reports

04-12-2023: [Company Update](#)

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

Outlook: Earnings drivers intact; maintain BUY

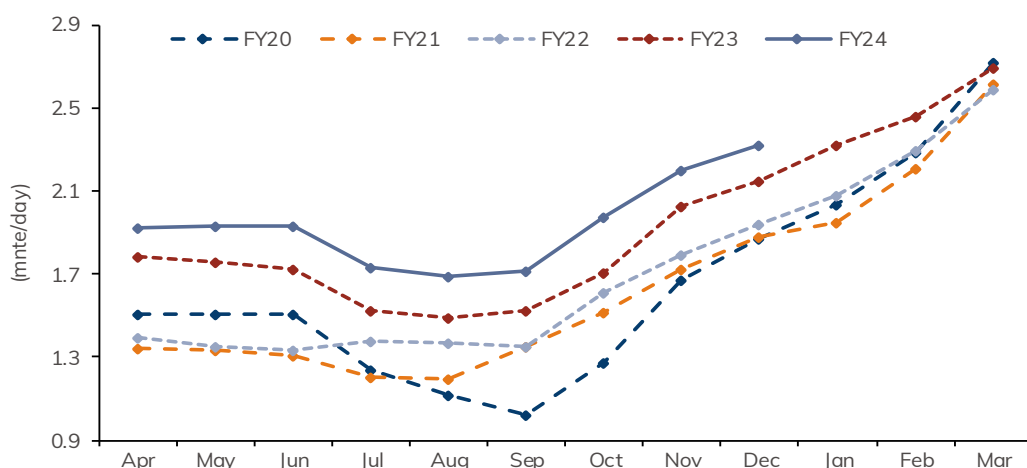
In our view, CIL is likely to benefit from both volume uptick and firm e-auction prices. Taking cognisance of the 9MFY24 performance, we believe there is no risk to our volume estimate of 751mt for FY24. Besides, e-auction prices in the first two months of Q3FY24 were better compared to Q2FY24. We believe there is still headroom of at least 10-15% upward revision in consensus estimates. At this stage, we roll over to FY26E, and therefore, reduce our valuation multiple to 7.5x (earlier 8x). As a result, our revised TP works out to INR 435/share (earlier INR 395/share). Maintain **BUY**.

Exhibit 1: Production and sales volume snapshot

(mnte)	Dec-23	Dec-22	Nov-23	YoY (%)	MoM (%)	YTD Dec-24	YTD Dec-23	% growth	FY24E	FY23	Growth %
Production volume	71.9	66.5	66.0	8.1	8.9	532	479	11.0	760	703	8.0
Despatch volume	66.6	62.7	63.1	6.2	5.5	552	508	8.6	751	695	8.1

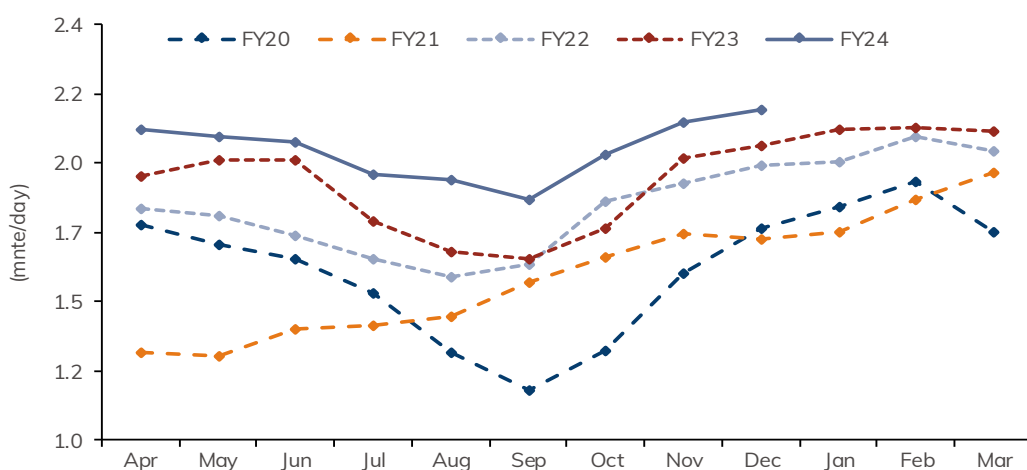
Source: I-Sec research, Company data

Exhibit 2: CIL- Production/day trend

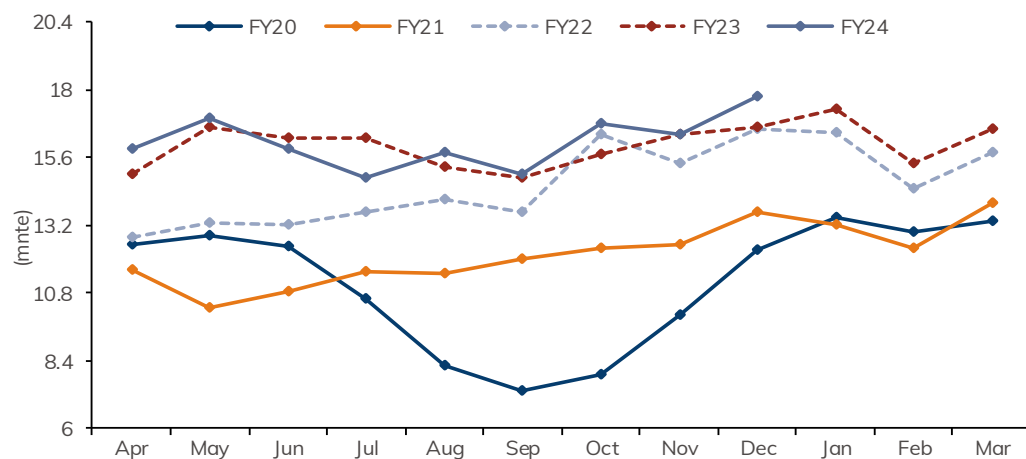


Source: I-Sec research, Company data

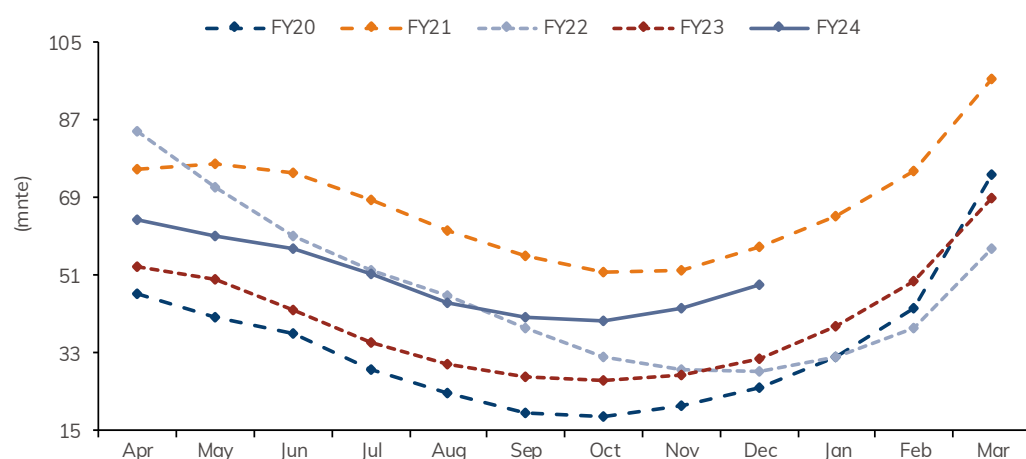
Exhibit 3: CIL- Sales volume/day trend



Source: I-Sec research, Company data

Exhibit 4: MCL's offtake has shown an uptick in Dec'23

Source: I-Sec research, Company data

Exhibit 5: Pithead inventory trend

Source: I-Sec research, Company data

Exhibit 6: 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 7: Price chart

Source: Bloomberg

Financial Summary

Exhibit 8: Profit & Loss

(INR mn, year ending March)

	FY23A	FY24E	FY25E	FY26E
Net Sales	13,82,519	14,29,614	14,97,772	15,80,343
Operating Expenses	10,14,340	10,40,297	10,81,260	11,13,381
EBITDA	3,68,179	3,89,317	4,16,512	4,66,962
EBITDA Margin (%)	26.6	27.2	27.8	29.5
Depreciation & Amortization	46,753	50,375	56,525	62,136
EBIT	3,21,426	3,38,942	3,59,987	4,04,826
Interest expenditure	-	-	-	-
Other Non-operating Income	65,507	68,158	71,076	88,548
Recurring PBT	3,80,090	3,99,385	4,24,204	4,87,373
Profit / (Loss) from Associates	-	-	-	-
Less: Taxes	98,759	1,03,772	1,10,221	1,26,634
PAT	2,81,331	2,95,613	3,13,983	3,60,738
Less: Minority Interest	-	-	-	-
Extraordinaries (Net)	-	-	-	-
Net Income (Reported)	2,81,331	2,95,613	3,13,983	3,60,738
Net Income (Adjusted)	-	-	-	-

Source Company data, I-Sec research

Exhibit 9: Balance sheet

(INR mn, year ending March)

	FY23A	FY24E	FY25E	FY26E
Total Current Assets	10,34,887	10,10,359	10,97,235	12,38,165
of which cash & cash eqv.	3,99,219	3,51,426	4,35,285	5,67,401
Total Current Liabilities & Provisions	6,86,665	6,69,729	6,75,229	6,79,672
Net Current Assets	3,48,222	3,40,630	4,22,006	5,58,493
Investments	1,00,388	1,00,388	1,00,388	1,00,388
Net Fixed Assets	4,93,728	5,78,354	6,56,828	7,29,692
ROU Assets	-	-	-	-
Capital Work-in-Progress	1,52,626	1,67,626	1,82,626	1,97,626
Total Intangible Assets	25,881	25,881	25,881	25,881
Other assets	3,00,834	3,00,834	3,00,834	3,00,834
Deferred Tax assests	-	-	-	-
Total Assets	14,25,402	15,17,435	16,92,285	19,16,636
Liabilities				
Borrowings	41,744	60,744	60,744	60,744
Deferred Tax Liability	13,307	13,307	13,307	13,307
provisions	7,90,195	7,52,497	7,98,247	8,46,741
other Liabilities	-	-	-	-
Equity Share Capital	61,627	61,627	61,627	61,627
Reserves & Surplus	5,10,822	6,21,552	7,50,654	9,26,510
Total Net Worth	5,72,449	6,83,180	8,12,281	9,88,137
Minority Interest	7,707	7,707	7,707	7,707
Total Liabilities	14,25,402	15,17,435	16,92,285	19,16,636

Source Company data, I-Sec research

Exhibit 10: 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 11: Cashflow statement

(INR mn, year ending March)

	FY23A	FY24E	FY25E	FY26E
Operating Cashflow	4,92,736	3,05,787	3,72,992	4,18,503
Working Capital Changes	(31,604)	(40,200)	2,483	(4,372)
Capital Commitments	(1,41,027)	(1,50,000)	(1,50,000)	(1,50,000)
Free Cashflow	3,51,709	1,55,787	2,22,992	2,68,503
Other investing cashflow	-	-	-	-
Cashflow from Investing Activities	(1,41,027)	(1,50,000)	(1,50,000)	(1,50,000)
Issue of Share Capital	-	-	-	-
Interest Cost	-	-	-	-
Inc (Dec) in Borrowings	8,052	19,000	-	-
Dividend paid	(1,43,281)	(1,84,882)	(1,84,882)	(1,84,882)
Others	-	-	-	-
Cash flow from Financing Activities	(1,35,229)	(1,65,882)	(1,84,882)	(1,84,882)
Chg. in Cash & Bank balance	2,16,480	(10,094)	38,110	83,621
Closing cash & balance	5,08,274	3,89,124	3,89,536	5,18,907

Source Company data, I-Sec research

Exhibit 12: Key ratios

(Year ending March)

	FY23A	FY24E	FY25E	FY26E
Per Share Data (INR)				
Reported EPS	45.7	48.0	50.9	58.5
Adjusted EPS (Diluted)	45.7	48.0	50.9	58.5
Cash EPS	53.2	56.1	60.1	68.6
Dividend per share (DPS)	24.0	30.0	30.0	30.0
Book Value per share (BV)	92.9	110.9	131.8	160.3
Dividend Payout (%)	52.6	62.5	58.9	51.3
Growth (%)				
Net Sales	26.0	3.4	4.8	5.5
EBITDA	49.1	5.7	7.0	12.1
EPS (INR)	61.8	5.1	6.2	14.9
Valuation Ratios (x)				
P/E	8.4	8.0	7.5	6.5
P/CEPS	7.2	6.8	6.4	5.6
P/BV	4.1	3.4	2.9	2.4
EV / EBITDA	5.1	5.0	4.5	3.7
P / Sales	1.7	1.6	1.6	1.5
Dividend Yield (%)	6.3	7.9	7.9	7.9
Operating Ratios				
Gross Profit Margins (%)	90.3	91.3	91.0	91.0
EBITDA Margins (%)	26.6	27.2	27.8	29.5
Effective Tax Rate (%)	26.0	26.0	26.0	26.0
Net Profit Margins (%)	20.3	20.7	21.0	22.8
NWC / Total Assets (%)	-	-	-	-
Net Debt / Equity (x)	(0.8)	(0.6)	(0.6)	(0.6)
Net Debt / EBITDA (x)	(1.2)	(1.0)	(1.1)	(1.3)
Profitability Ratios				
RoCE (%)	46.9	40.8	35.5	33.4
RoE (%)	60.8	51.9	45.0	43.2
RoIC (%)	178.9	149.6	104.2	87.0
Fixed Asset Turnover (x)	3.0	2.8	2.6	2.4
Inventory Turnover Days	26	22	21	21
Receivables Days	42	44	40	39
Payables Days	28	19	19	19

Source Company data, I-Sec research

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