Coal India Ltd

Inline quarter; Maintain Buy

Energy & Utilities	Sharekhan code: COALINDIA
Reco/View: **Buy** ⇔	CMP: **Rs. 383** / Price Target: **Rs. 450** ⇔

↑ Upgrade ⇔ Maintain ↓ Downgrade

3R MATRIX	+	=	-
Right Sector (RS)	✓		
Right Quality (RQ)	✓		
Right Valuation (RV)	✓		

\+ Positive = Neutral – Negative

What has changed in 3R MATRIX

	Old		New
RS		⇔	
RQ		⇔	
RV		⇔	

Company details

Market cap:	Rs. 2,36,156 cr
52-week high/low:	Rs. 545/349
NSE volume: (No of shares)	71.7 lakh
BSE code:	533278
NSE code:	COALINDIA
Free float: (No of shares)	227.2 cr

Shareholding (%)

Promoters	63.1
FII	7.7
DII	23.4
Others	5.8

Price chart

Source: NSE India, Mirae Asset Sharekhan Research

Price performance

(%)	1m	3m	6m	12m
Absolute	1.5	0.1	-12.1	-15.9
Relative to Sensex	-8.3	-3.1	-12.0	-25.2

Source: Mirae Asset Sharekhan Research, Bloomberg

Summary

- Company reported a revenue of Rs. 37,825 crore and it was up 1.1% y-o-y. Volume offtake and blended realizations both witnessed a slight decline.
- Adj. operating profit (ex-OBR) of Rs. 11,229 crore was up 14.1% y-o-y. Consolidated PAT of Rs. 9,604 crore was up 10.6% y-o-y because of higher other income.
- Coal India's volume growth is expected to improve with the addition of thermal capacities. Pricing should also improve with the Rs. 300/tonne additional levy in NCL (subsidiary).
- Valuation of 6.2x/5.9x its FY26/FY27 EPS estimates is attractive, and the stock offers a high dividend yield of ~7%. We maintain a Buy with an unchanged PT of Rs. 450.

Q4FY25 consolidated revenue of Rs. 37,825 crore was up 1.1% y-o-y. Volume and realization growth were both tepid and almost flat y-o-y. The volume growth has been slow overall due to increase in captive consumption of coal. FSA volumes of 175.1mn tonne were down 1% y-o-y while E-auction volumes of 21.6mn tonne were down 4% y-o-y. FSA realization of Rs. 1,547/tonne was up 1% y-o-y and 2% q-o-q. E-auction realization of Rs. 2,615/tonne was up 2% y-o-y and down 2% q-o-q. Adj. operating profit (ex-OBR) of Rs. 11,229 crore increased 14.1% y-o-y. It was helped by lower employee expenses. Operating margin of 29.7% rose 337 bps y-o-y. Adj. EBITDA/tonne of Rs. 558 was up 14.1% y-o-y. Consolidated PAT at Rs. 9,604 crore increased by 10.6% y-o-y. Company declared a final dividend of Rs. 5.15/share. The Total dividend declared in FY25 is Rs. 26.5/ share. Coal India has incorporated a new subsidiary, Coal Gas India Limited, in collaboration with GAIL, marking a significant foray into the coal-to-chemical segment.

Key positives

- Adj. EBITDA of 11,229 crore showed good growth of 14% y-o-y.

Key negatives

- Q4FY25 sales volume of 201mt was flat y-o-y.
- FY25 sales volume of 781mt was up 1% y-o-y.

Our Call

Valuation – Maintain Buy on CIL with an unchanged PT of Rs. 450: The stock has corrected ~25% from the top in the last two quarters in line with the weak volume growth. Decent volume growth in coal offtake is expected in the next few years due to thermal capacity addition and demand in the power sector. Coal India's valuation of 6.2x/5.9x its FY26E/FY27E EPS is attractive and the stock offers high dividend yield of ~7%. Hence, we maintain a Buy with an unchanged price target (PT) of Rs. 450.

Key Risks

Lower-than-expected volume offtake amid any weakness in electricity demand and realisations (especially for e-auction) could affect margins and earnings outlook.

Valuation (Consolidated) Rs cr

Particulars	FY23	FY24	FY25	FY26E	FY27E
Revenue	1,38,252	1,42,324	1,43,369	1,50,971	1,60,625
OPM (%)	29.4	29.4	30.0	29.0	29.6
Adjusted PAT	31,763	37,402	35,358	37,796	39,963
% YoY growth	83.0	17.8	-5.5	6.9	5.7
Adjusted EPS (Rs.)	51.5	60.7	57.4	61.3	64.8
P/E (x)	7.4	6.3	6.7	6.2	5.9
P/B (x)	4.1	2.9	2.4	2.1	1.8
EV/EBITDA (x)	4.9	5.1	4.9	4.6	4.0
RoNW (%)	63.3	53.4	38.9	35.4	32.8
RoCE (%)	67.3	55.7	42.0	39.0	37.0

Source: Company; Mirae Asset Sharekhan estimates

Results (Consolidated) Rs cr

Particulars	Q4FY25	Q4FY24	YoY (%)	Q3FY25	QoQ (%)
Net Sales	**37,825**	**37,410**	**1.1**	**35,780**	**5.7**
Total Expenditure	26,034	26,074	-0.2	23,463	11.0
Reported operating profit	11,790	11,337	4.0	12,317	-4.3
Adjusted operating profit (ex-OBR)	**11,229**	**9,844**	**14.1**	**10,405**	**7.9**
Other Income	3,937	2,244	75.4	2,143	83.7
Interest	241	232	3.9	226	6.9
Depreciation	2,782	1,993	39.5	2,513	10.7
Share of profit from associate	169	74		71	
PBT	**12,873**	**11,429**	**12.6**	**11,792**	**9.2**
Tax	3,281	2,790	17.6	3,301	-0.6
PAT before share of profit from JVs and MI	9,593	8,639	11.0	8,491	13.0
Minority interest	-11	-42		-14	-19.9
Adjusted PAT	**9,604**	**8,681**	**10.6**	**8,506**	**12.9**
O/S Shares (cr)	616	616		616	
Adjusted EPS (Rs)	15.6	14.1	10.6	13.8	12.9
Margins (%)			**BPS**		**BPS**
Adjusted OPM	29.7	26.3	337	29.1	61
Adjusted NPM	25.4	23.2	219	23.8	162

Source: Company; Mirae Asset Sharekhan Research

Key operating performance

Particulars	Q4FY25	Q4FY24	YoY (%)	Q3FY25	QoQ (%)
Coal production (mt)	238	242	-1.7	202	17.7
Coal offtake (mt)	201	202	-0.2	194	3.7
Blended realisation (Rs/tonne)	1,696	1,699	-0.2	1,667	1.7
Adjusted EBITDA excluding OBR (Rs/tonne)	558	488	14.3	536	4.0

Source: Company; Mirae Asset Sharekhan Research

Outlook and Valuation

■ **Sector Outlook – India's coal demand expected to reach 1,250-1,500 MT with increased power generation**

Coal India accounts for 55% of India's total commercial energy production. Although its share in India's overall energy mix is expected to fall over the next decade, it would remain a primary energy source and absolute coal offtake is expected to improve given higher demand from sectors such as power and steel. Industry estimates suggest that India's coal demand could reach 1,250-1,500 million tonnes by FY2030, assuming a 6-8% growth in power demand and despite considering growth in renewable energy capacity to 500 GW by FY20230 (from 220 GW in FY2025).

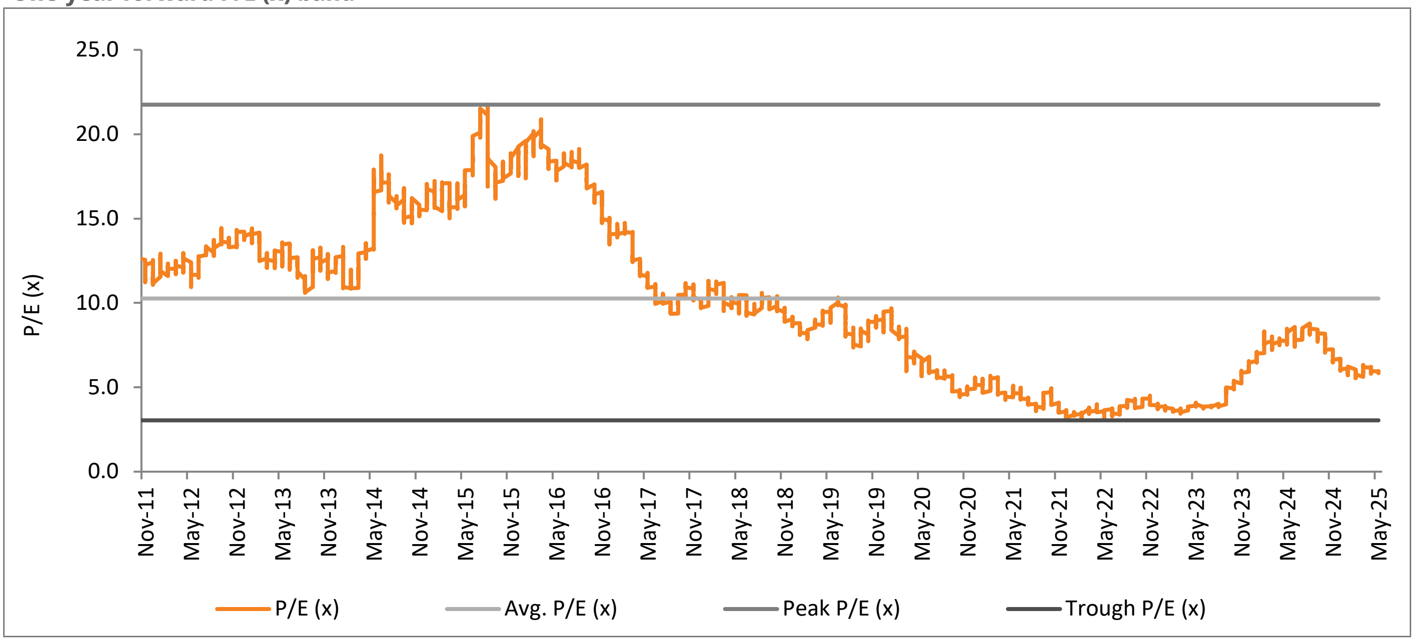
■ **Company Outlook – Expect earnings to improve led by volume growth and improving coal realisation**

Coal India posted a weak performance in FY25 with PAT declining by 5.5% y-o-y due to tepid volume growth and fall in realizations. But, we expect both to improve going forward given strong coal demand from thermal power plants and increase in realizations due to the additional Rs. 300/tonne levy in NCL subsidiary. Government plans to add 80GW of extra thermal capacity by FY32.

■ **Valuation – Maintain Buy on CIL with an unchanged PT of Rs. 450**

The stock has corrected ~25% from the top in the last two quarters in line with the weak volume growth. Decent volume growth in coal offtake is expected in the next few years due to thermal capacity addition and demand in the power sector. Coal India's valuation of 6.2x/5.9x its FY26E/FY27E EPS is attractive and the stock offers high dividend yield of ~7%. Hence, we maintain a Buy with an unchanged price target (PT) of Rs. 450.

One-year forward P/E (x) band



Source: Company; Mirae Asset Sharekhan Research

About company

CIL is engaged in the production and sale of coal. The company operates through ~82 mining areas across eight states and contributes to around 75% of India's coal production. The company's products include coking coal (used in steel making and metallurgical industries), semi-coking coal (used in steel making, merchant coke manufacturing, and other metallurgical industries), non-coking coal (mainly used in power generation; also used for cement, fertiliser, glass, ceramic, paper, and chemical), and washed and beneficiated coal (manufacturing of hard coke for steel making, power generation, cement, and sponge iron).

Investment theme

The government's plans to increase coal production to substitute imports (stands at more than 250 million tonne) and increase in power demand would help CIL to register sustainable volume growth over the next few years. Moreover, cost-control initiatives such as reduction of manpower would cushion margins. Moreover, valuations are reasonable to historical averages and the stock offers high dividend yield.

Key Risks

- Lower-than-expected volume offtake and realisation (especially e-auction) could impact margin and earnings outlook.

Additional Data

Key management personnel

Name	Designation
P M Prasad	Chairman and Managing Director
Mukesh Agrawal	Director - Finance
Achyut Ghatak	Director – Technical

Source: Company Website

Top 10 shareholders

Sr. No.	Holder Name	Holding (%)
1	Life Insurance Corp of India	9.79
2	Nippon Life India Asset Management	2.95
3	PPFAS Asset Management	2.33
4	HDFC Asset Management Co Ltd	1.6
5	ICICI Prudential Asset Management	1.55
6	Vanguard Group Inc/The	1.52
7	Blackrock Inc	1.11
8	SBI Funds Management Ltd	0.83
9	FMR LLC	0.59
10	UTI Asset Management Co Ltd	0.49

Source: Bloomberg

Understanding the Mirae Asset Sharekhan 3R Matrix

Right Sector	
Positive	Strong industry fundamentals (favorable demand-supply scenario, consistent industry growth), increasing investments, higher entry barrier, and favorable government policies
Neutral	Stagnancy in the industry growth due to macro factors and lower incremental investments by Government/private companies
Negative	Unable to recover from low in the stable economic environment, adverse government policies affecting the business fundamentals and global challenges (currency headwinds and unfavorable policies implemented by global industrial institutions) and any significant increase in commodity prices affecting profitability.
Right Quality	
Positive	Sector leader, Strong management bandwidth, Strong financial track-record, Healthy Balance sheet/cash flows, differentiated product/service portfolio and Good corporate governance.
Neutral	Macro slowdown affecting near term growth profile, Untoward events such as natural calamities resulting in near term uncertainty, Company specific events such as factory shutdown, lack of positive triggers/events in near term, raw material price movement turning unfavourable
Negative	Weakening growth trend led by led by external/internal factors, reshuffling of key management personal, questionable corporate governance, high commodity prices/ weak realisation environment resulting in margin pressure and detoriating balance sheet
Right Valuation	
Positive	Strong earnings growth expectation and improving return ratios but valuations are trading at discount to industry leaders/historical average multiples, Expansion in valuation multiple due to expected outperformance amongst its peers and Industry up-cycle with conducive business environment.
Neutral	Trading at par to historical valuations and having limited scope of expansion in valuation multiples.
Negative	Trading at premium valuations but earnings outlook are weak; Emergence of roadblocks such as corporate governance issue, adverse government policies and bleak global macro environment etc warranting for lower than historical valuation multiple.

Source: Mirae Asset Sharekhan Research

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