

CMP: ₹ 510

Target: ₹ 650 (27%)

Target Period: 12 months

BUY

August 6, 2024

Healthy performance, well poised for profitable growth

About stock: Coal India Ltd (CIL), is the largest coal producer domestically as well as globally. It is a 'Maharatna' PSU, operating under aegis of Ministry of Coal.

- Operation spanning 84 mining areas across eight states, currently owing 313 mines including 131 underground, 168 opencast and 14 mixed mines.

Q1FY25 Result: Coal India reports steady performance in Q1FY25. Total operating income for the quarter came in at ₹36,465 crore (up 1% YoY) with coal sales volume of 199 million tonne (up 6% YoY). Reported EBITDA stood at ₹14,339 crore with EBITDA margins at 39.3% (up ~160 bps YoY). EBITDA/tonne for Q1FY25 stood at ₹722/tonne vs. ₹726/tonne in Q1FY24. PAT stood at ₹10,959 crore (up 4% YoY).

Investment Rationale:

- Coal remains the cornerstone of India's energy requirement:** Coal remains a primary energy source for India, supplying ~55% of country's energy and ~70% of electricity needs. Despite an increased focus on renewable/non-fossil fuel-based energy, the demand for coal based thermal capacity is expected to rise to meet domestic energy needs. Consequently, coal demand is projected to reach ~1.3 to 1.5 billion tonnes by 2030 positioning Coal India as a key beneficiary since it produces ~78% of the country's coal production and fulfils ~40% of energy requirement. Moreover, India imported ~200 million tonne of non-coking coal as of FY24, presenting an immediate opportunity for CIL as a medium-term trigger.
- Large Capex in place to meet its ambitious volume growth:** To support the government's goal of 24x7 power supply, CIL aims to produce 1000 MT of coal by FY26E. We project coal production to grow at 11% CAGR from FY23-26E to 950 MT by FY26E. Key enablers includes: (i) advancement of 119 coal projects with a capacity of 896 million tonnes at a capex outlay of ~₹1.3 lakh crore (ii) better evacuation infrastructure in terms of First Mile Connectivity projects (iii) reviving ~24 discontinued mines of which 11 mines were awarded to bidders on revenue sharing model with reserves at ~267 MT (iv) Engaging with 15 MDOs for targeted capacity of ~170 MTPA
- Diversifying its product portfolio beyond traditional coal mining:** CIL is strategically enhancing its portfolio into newer domains such as (i) Coal Gasification project with JV agreements with BHEL and GAIL (ii) Investments in Thermal Power generation with projects like Mahanadi Basin Power Ltd among others (iii) Exploring opportunities for acquiring & mining critical mineral assets in domestic and international geographies.

Rating and Target Price

- We maintain a **positive** view on **Coal India** amidst healthy volume growth on the anvil, its diversification efforts in new sunrise spaces, healthy net cash positive b/s and robust dividend yield (~5%). We assign **BUY** rating to Coal India with target price of **₹650** i.e. 5.5x EV/EBITDA on FY26E.

Key Financial Summary

Key Financials (₹ crore)	FY20	FY21	FY22	FY23	FY24	5 year CAGR (FY19-24)	FY25E	FY26E	2 year CAGR (FY24-26E)
Total Operating Income	96,080	90,026	1,09,714	1,38,252	1,42,324	7.4%	1,52,245	1,74,593	7.0%
EBITDA	21,921	18,629	24,690	44,240	47,971	13.9%	53,169	61,733	8.8%
EBITDA Margins (%)	22.8	20.7	22.5	32.0	33.7		34.9	35.4	
Net Profit	16,714	12,700	17,358	31,763	37,402	16.5%	39,693	45,781	7.0%
EPS (₹)	27.1	20.6	28.2	51.5	60.7		64.4	74.3	
P/E	18.8	24.7	18.1	9.9	8.4		7.9	6.9	
RoNW (%)	51.9	34.8	40.3	52.2	45.6		37.4	34.3	
RoCE (%)	41.6	30.3	37.1	50.3	41.5		36.9	35.2	

Source: Company, ICICI Direct Research



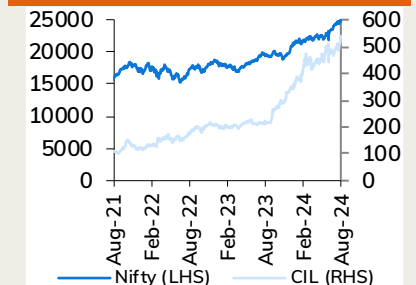
Particulars

Particulars	₹ crore
Market capitalisation	3,14,299
Total Debt (FY24)	6,289
Cash & Investment (FY24)	33,486
EV (₹ crore)	2,87,102
52 week H/L (₹)	542 / 226
Equity capital (₹ crore)	6,162.7
Face value (₹)	10.0

Shareholding pattern

	Sep-23	Dec-23	Mar-24	Jun-24
Promoter	63.1	63.1	63.1	63.1
FII	7.8	8.6	8.4	8.4
DII	24.1	23.1	23.2	23.2
Other	5.0	5.2	5.3	5.3

Price Chart



Recent Event & Key risks

- Sales/PAT is expected to grow at 7% CAGR over FY24-26E.
- Key Risk: (i) lower than anticipated sales volume growth (ii) more than unexpected shift towards renewable energy space thereby challenging coal demand

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Key Tables and Charts

Exhibit 1: Quarterly Analysis

₹ crore	Q1FY25	Q1FY24	YoY (%)	Q4FY24	QoQ (%)	Comments
Total Operating Income	36,465	35,983	1.3	37,410	-2.5	Topline came in broadly flat YoY owing to lower blended realization despite 6% growth in volumes
Raw Material Expenses	3,025	3,584	-15.6	420	619.6	
Employee Expenses	11,455	12,027	-4.8	13,536	-15.4	Employee expenses came in a tad lower on YoY basis
Contractual Expenses	7,810	6,683	16.9	8,146	-4.1	Contractual expenses came in a tad higher and were up 17% YoY
Other expenses	2,632	2,529	4.1	5,465	-51.8	
Stripping Adj. Activity	-2,796	-2,416	15.8	-1,494	87.2	
EBITDA	14,339	13,575	5.6	11,337	26.5	EBITDA was up 5.6% YoY in Q1FY25 primarily tracking savings realised on the RM front as well as employee costs
EBITDA Margin (%)	39.3	37.7	160 bps	30.3	902 bps	
Other Income	1,885	1,538	22.6	2,244	-16.0	
Depreciation	1,952	1,527	27.9	1,993	-2.1	Depreciation came in a tad higher
Interest	209	178	17.4	232	-10.1	
Tax	3,204	2,887	11.0	2,790	14.8	
PAT	10,959	10,498	4.4	8,682	26.2	PAT for the quarter grew 4.4% YoY
Key Metrics						
Sales Volume (million tonne)	199	187	6.2	202	-1.7	Sales volume were up healthy by 6% YoY to 199 MT
Blended Realisations (₹/tonne)	1,671	1,769	-5.5	1,697	-1.5	Realisations declined YoY due to lower E-auction realisation
EBITDA/tonne	722	726	-0.5	561	28.6	EBITDA/tonne was higher YoY to ₹722/tonne

Source: Company, ICICI Direct Research

Exhibit 2: Key Operational Matrix including assumptions

Particulars	Units	FY22	FY23	FY24	FY25E	FY26E
Total Production	MT	623	703	774	830	950
Total FSA	MT	540	621	670	701	780
% of total sales vol	%	82%	89%	89%	84%	82%
Realisation	₹/tonne	1,407	1,475	1,536	1,529	1,530
Total E-Auction	MT	111	62	70	116	149
% of total sales vol	%	17%	9%	9%	14%	16%
Realisation	₹/tonne	1,879	4,841	3,059	2,315	2,142
Total Raw Coal	MT	651	683	741	817	928
% of total sales vol	%	98%	98%	98%	98%	98%
Realisation	₹/tonne	1,488	1,789	1,681	1,641	1,628
Total Washed Coal	MT	7	7	8	6	14
% of total sales vol	%	1%	1%	1%	1%	2%
Realisation	₹/tonne	3,346	5,012	5,597	5,500	4,933
Total Sales Volume	MT	663	695	754	830	950
Blended Realisation	₹/tonne	1,519	1,835	1,728	1,679	1,686
EBITDA/tonne	₹/tonne	373	636	636	640	650

Source: Company, ICICI Direct Research

Exhibit 3: Change in headline estimates

(₹ Crore)	FY25E			FY26E			Comments
	Old	New	% Change	Old	New	% Change	
Sales Volume (MT)	830	830	-	950	950	-	
Blended Realization (₹/tonne)	1,692	1,679	-0.8	1,727	1,686	-2.4	Marginally tweaked in blended realization owing to lower E-Auction realization
Total Op. Income	1,53,071	1,52,245	-0.5	1,78,796	1,74,593	-2.4	
EBITDA	45,254	53,169	17.5	52,256	61,733	18.1	
EBITDA (₹/tonne)	545	640	17.5	550	650	18.1	EBITDA/tonne estimates are upgraded owing to change in accounting treatment of stripping activity
PAT	35,191	39,693	13	41,374	45,781	11	
EPS (₹)	57	64	13	67	74	11	Earnings revised upwards owing to rise in EBITDA

Source: Company, ICICI Direct Research

Financial Summary

Exhibit 4: Profit and loss statement					₹ crore
(Year-end March)	FY23	FY24	FY25E	FY26E	
Net Sales	1,27,627	1,30,325	1,39,391	1,60,177	
Other Operating Income	10,624	11,998	12,854	14,416	
Total Operating Income	1,38,252	1,42,324	1,52,245	1,74,593	
Growth (%)	26.0	2.9	7.0	14.7	
Raw Material Expenses	13,358	10,059	10,723	12,825	
Employee Expenses	49,410	48,783	49,357	54,625	
Other Operating Expense	31,244	35,511	38,996	45,410	
Total Operating Expenditure	94,012	94,352	99,076	1,12,860	
EBITDA	44,240	47,971	53,169	61,733	
Growth (%)	1.6	8.4	10.8	16.1	
Depreciation	6,833	6,735	7,912	9,007	
Interest	684	819	810	740	
Other Income	6,560	7,969	8,069	8,730	
PBT	43,283	48,385	52,516	60,716	
Profit from JV & MI	-32.1	-460.0	-391.2	-333.7	
Total Tax	11,552	11,443	13,214	15,269	
PAT	31,763	37,402	39,693	45,781	
Growth (%)	-12.4	17.8	6.1	15.3	
EPS (₹)	51.5	60.7	64.4	74.3	

Source: Company, ICICI Direct Research

Exhibit 5: Cash flow statement					₹ crore
(Year-end March)	FY23	FY24	FY25E	FY26E	
Profit after Tax	31,763	37,402	39,693	45,781	
Add: Depreciation	6,833	6,735	7,912	9,007	
(Inc)/dec in Current Assets	-7,737	-6,276	-6,446	-10,087	
Inc/(dec) in CL and Provisions	8,499	-10,012	9,293	15,177	
Others, Sub-Other Income	-5,876	-7,150	-7,259	-7,989	
CF from operating activities	33,482	20,699	43,193	51,888	
(Inc)/dec in Investments	1,781	29	-5,100	-10,100	
(Inc)/dec in Fixed Assets	-16,181	-19,195	-20,000	-22,000	
Others, Add- Other income	4,816	2,940	7,629	8,365	
CF from investing activities	-9,584	-16,226	-17,471	-23,735	
Issue/(Buy back) of Equity	0	0	0	0	
Inc/(dec) in loan funds	805	2,174	-500	-500	
Dividend & interest outgo	-15,013	-15,918	-16,525	-18,921	
Inc/(dec) in Share Cap	0	0	0	0	
Others	265	-417	0	0	
CF from financing activities	-13,943	-14,161	-17,025	-19,421	
Net Cash flow	9,956	-9,687	8,697	8,732	
Opening Cash	29,965	39,921	30,235	38,931	
Closing Cash	39,921	30,235	38,931	47,664	

Source: Company, ICICI Direct Research

Exhibit 6: Balance Sheet					₹ crore
(Year-end March)	FY23	FY24	FY25E	FY26E	
Liabilities					
Equity Capital	6,163	6,163	6,163	6,163	
Reserve and Surplus	54,680	76,567	1,00,545	1,28,146	
Total Shareholders funds	60,843	82,730	1,06,708	1,34,309	
Total Debt	4,115	6,289	5,789	5,289	
Deferred Tax Liability	1,644	1,822	1,822	1,822	
Minority Interest / Others	10,983	11,997	12,158	12,392	
Total Liabilities	77,585	1,02,838	1,26,477	1,53,812	
Assets					
Gross Block	91,815	1,08,606	1,27,567	1,49,567	
Less: Acc Depreciation	27,267	32,938	40,849	49,856	
Net Block	64,547	75,669	86,717	99,710	
Capital WIP	17,622	18,960	20,000	20,000	
Total Fixed Assets	82,169	94,629	1,06,717	1,19,710	
Investments	7,139	7,110	12,210	22,310	
Inventory	8,155	10,177	12,513	14,350	
Debtors	13,060	13,256	14,599	16,742	
Loans and Advances	393	380	407	467	
Other Current Assets	42,872	46,943	49,683	55,731	
Cash	39,921	30,235	38,931	47,664	
Total Current Assets	1,04,401	1,00,991	1,16,134	1,34,953	
Current Liabilities	8,549	8,386	10,428	11,958	
Provisions	91,339	80,992	85,073	91,582	
Current Liabilities & Prov	1,44,846	1,34,834	1,44,127	1,59,304	
Net Current Assets	-40,445	-33,843	-27,993	-24,351	
Others Assets	28,721	34,942	35,542	36,142	
Application of Funds	77,585	1,02,838	1,26,477	1,53,812	

Source: Company, ICICI Direct Research

Exhibit 7: Key ratios					₹ crore
(Year-end March)	FY23	FY24	FY25E	FY26E	
Per share data (₹)					
EPS	51.5	60.7	64.4	74.3	
Cash EPS	62.6	71.6	77.2	88.9	
BV	98.7	134.2	173.2	217.9	
DPS	24.3	24.5	25.5	29.5	
Cash Per Share	64.8	49.1	63.2	77.3	
Operating Ratios (%)					
EBITDA Margin	32.0	33.7	34.9	35.4	
PAT Margin	23.0	26.3	26.1	26.2	
Inventory days	21.5	26.1	30.0	30.0	
Debtor days	34.5	34.0	35.0	35.0	
Creditor days	22.6	21.5	25.0	25.0	
Return Ratios (%)					
RoE	52.2	45.6	37.4	34.3	
RoCE	50.3	41.5	36.9	35.2	
RoC	292.7	87.9	81.4	82.3	
Valuation Ratios (x)					
P/E	9.9	8.4	7.9	6.9	
EV / EBITDA	6.2	6.0	5.1	4.1	
EV / Net Sales	2.0	2.0	1.8	1.5	
Market Cap / Sales	2.3	2.2	2.1	1.8	
Price to Book Value	5.2	3.8	2.9	2.3	
Solvency Ratios					
Debt/EBITDA	0.1	0.1	0.1	0.1	
Debt / Equity	0.1	0.1	0.1	0.0	
Current Ratio	0.6	0.7	0.7	0.8	
Quick Ratio	0.5	0.6	0.6	0.6	

Source: Company, ICICI Direct Research

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Buy: >15%

Hold: -5% to 15%;

Reduce: -15% to -5%;

Sell: <-15%



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