

Coal India

Estimate change 

TP change 

Rating change 

CMP: INR433

TP: INR490 (+13%)

Buy

Performance above our estimates; strong volume momentum continues

Bloomberg	COAL IN
Equity Shares (m)	6207
M.Cap.(INRb)/(USD\$b)	2667.2 / 32.1
52-Week Range (INR)	469 / 208
1, 6, 12 Rel. Per (%)	15/73/84
12M Avg Val (INR M)	3231

Financials & Valuations (INR b)

Y/E MARCH	2024E	2025E	2026E
Sales	1,458	1,552	1,739
Adj. EBITDA	424	421	479
Adj. PAT	310	280	315
EBITDA Margin (%)	29.1	27.1	27.6
Cons. Adj. EPS (INR)	50.3	45.4	51.2
EPS Gr. (%)	10.1	-9.8	12.7
BV/Sh. (INR)	117	139	164

Ratios

Net D:E	-0.5	-0.5	-0.4
RoE (%)	42.9	32.5	31.1
RoCE (%)	47.5	35.1	33.4
Payout (%)	50.0	50.0	50.0

Valuations

P/E (x)	8.6	9.5	8.5
P/BV (x)	3.7	3.1	2.6
EV/EBITDA(x)	5.4	5.4	4.7
Div. Yield (%)	5.8	5.2	5.9
FCF Yield (%)	2.9	3.9	3.8

Shareholding pattern (%)

As On	Dec-23	Sep-23	Dec-22
Promoter	63.1	63.1	66.1
DII	23.2	24.2	21.3
FII	8.6	7.8	7.9
Others	5.1	5.2	4.7

- Coal India (COAL)'s 3QFY24 revenue rose 3% YoY to INR362b, and it was in line with our estimate of INR348b, led by higher volumes/FSA realization.
- Blended ASP was down 6% YoY to INR1,727/t, and FSA ASP was up 3% YoY to 1,532/t. While e-auction ASP declined 34% YoY to INR3,321/t, the e-auction premium stood at 117% (higher than our estimate of 70%).
- The e-auction premium, which moderated in 2QFY24 to 83%, moved in tandem with the international coal prices. This led to an improved e-auction premium of 117%. The e-auction premium is currently above its historical average and is likely to be ~108% in FY24.
- Adjusted EBITDA (net of OBR) increased 6% YoY to INR119b, 41% above our estimate of INR85b, owing to lower-than-expected employee and input costs, which was partially offset by the increase in contractual expenses. Excluding OBR, EBITDA rose 10% YoY to INR113b (51% above our estimate).
- APAT increased 17% YoY to INR91b (vs. our estimate of INR57b). This was driven by a strong operating performance and lower depreciation.
- COAL declared its second interim dividend of INR5.25 per share for FY24, taking the total declared dividend to INR20.5 per share.
- COAL's production rose 11% YoY to 199mt and sales (dispatches) grew 9% YoY to 191mt. COAL's dispatches to the power sector (including CPP) stood at 171mt in 3QFY24, which represented ~89% of the dispatches.
- The revenue for 9MFY24 stood at INR1,049b (up 5% YoY); Adj. EBITDA stood at INR320b (flat YoY); and APAT was INR238b (up 5% YoY).
- Production for 9MFY24 came in at 532mt (up 11% YoY) and dispatches stood at 552mt (up 9% YoY).

Valuation and view

- COAL supplies ~89% of its production to the power sector (including CPPs) and thermal power accounts for over 80% of the total power generated in India.
- To meet the increasing coal requirements of the power sector, COAL has made a long-term commitment via FSA agreements and BLCs. It is on track to achieve a production of 780mt in FY24 with dispatches under e-auction at ~15% of the total volumes.
- India is lagging behind in its FY30 RE target, and the Ministry of Power has set the FY24 electricity generation target at 1,750bu (growth of 7.2% YoY). Of this, 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, higher e-auction premiums, and lower costs, we have increased our EBITDA estimates by 15%/9%/10% for FY24/FY25/FY26. The stock is trading at 4.7x on FY26E EV/EBITDA. **We reiterate our BUY rating** with a revised TP of INR490, valuing the stock at 5.5x FY26E EV/EBITDA.
- **COAL remains our top pick in the metals and mining sector.**

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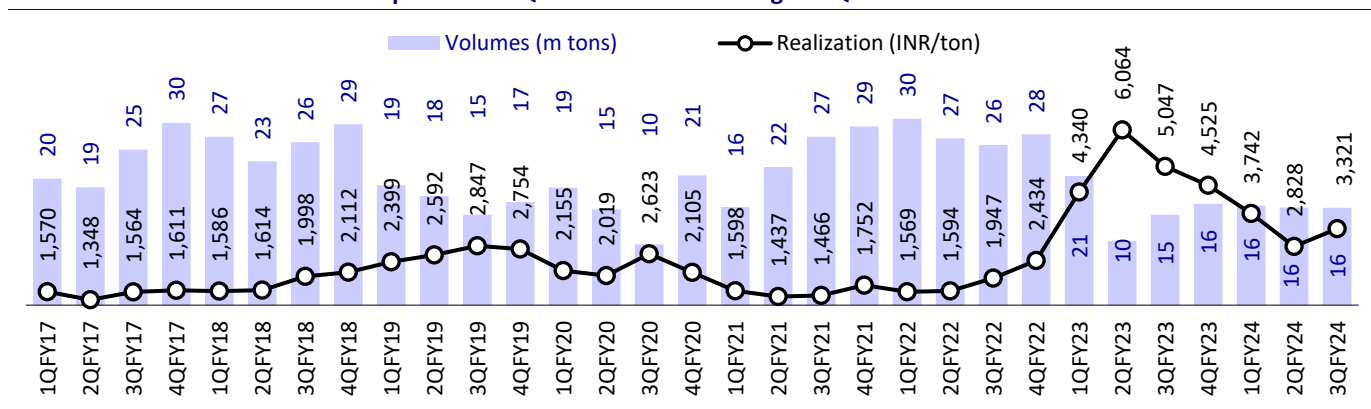
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Consolidated quarterly performance (INR b)

Y/E March	FY23				FY24E				FY23	FY24E	FY24	var (%)
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE				
Sales	351	298	352	382	360	328	362	408	1,383	1,458	348	4
Change YoY (%)	38.8	28.1	23.7	16.6	2.5	9.8	2.8	7.1	26.0	5.4		
Change QoQ (%)	7.3	-15.0	17.9	8.5	-5.7	-8.9	10.3	13.0				
Adj. EBITDA	127	80	112	86	112	89	119	104	406	424	85	41
Change YoY (%)	177.6	99.9	52.1	-30.7	-12.4	10.9	6.2	20.0	42.8	4.3		
Change QoQ (%)	2.1	-37.0	40.1	-23.1	29.1	-20.3	34.2	-13.1				
EBITDA per tonne	717	519	639	461	597	512	624	482	584	552	443	41
Depreciation	10	11	13	13	11	12	13	14	47	50		
OBR	5	7	8	17	6	8	6	13	38	33		
Interest	2	1	2	2	2	2	2	2	7	8		
Other Income	10	18	16	22	15	20	22	21	66	78		
EO Inc/(Exp)	-	-	-	-	-	-	-	-	-	-		
PBT after EO	121	78	105	76	107	88	121	95	380	411		
Tax	32	16	29	21	28	20	33	24	99	105		
Tax Rate (%)	26.8	21.0	27.4	27.9	25.8	23.2	27.1	25.2	26.0	25.5		
PAT before MI & Asso.	89	62	76	55	80	67	88	71	281	306		
MI	0	0	(0)	(0)	(0)	0	0	-	(0)	0		
Sh. of Assoc.	(0)	(1)	1	1	(0)	1	3	1	(0)	4		
PAT After MI & Asso.	88	60	78	55	80	68	91	72	282	310		
Adjusted PAT	88	60	78	55	80	68	91	72	282	310	57	60
Change YoY (%)	178.3	105.7	70.1	-17.5	-9.8	12.5	16.9	29.6	62.1	10.1		
Change QoQ (%)	31.7	-31.6	28.3	-28.7	44.1	-14.7	33.4	-20.9				

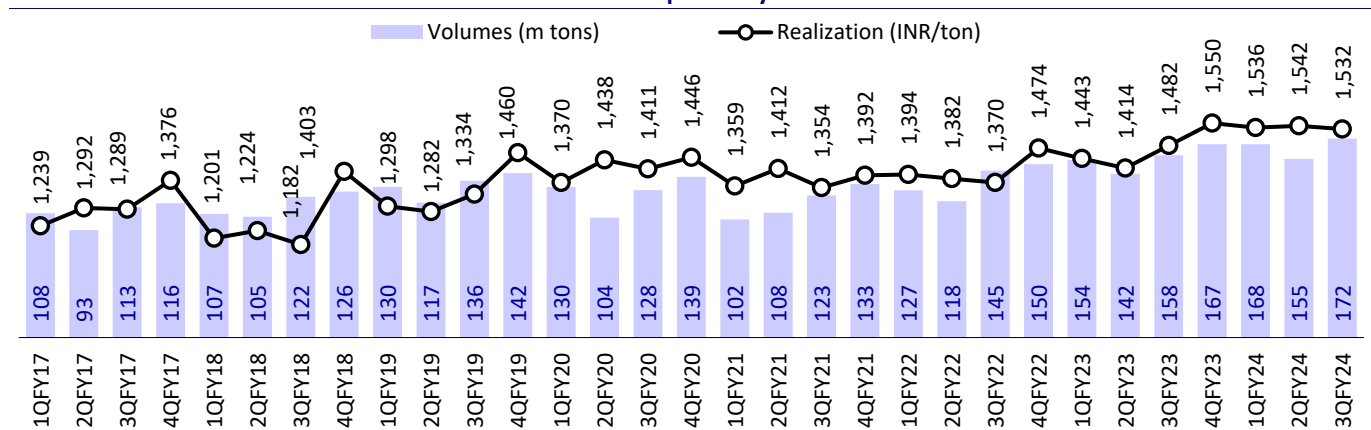
Source: MOFSL, Company

Exhibit 1: E-auction realizations improved in 3QFY24 after moderating in 2QFY24



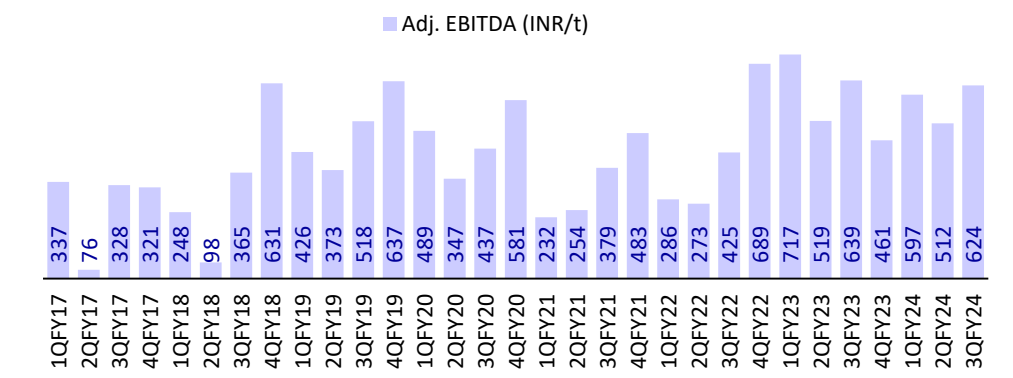
Source: MOFSL, Company

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



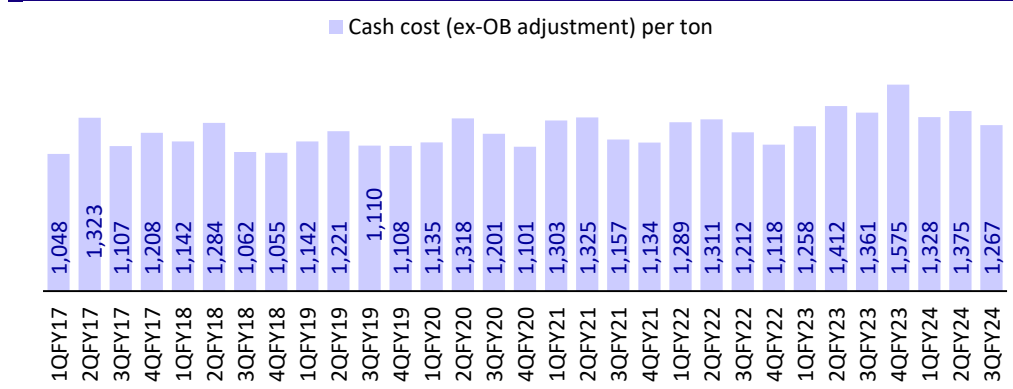
Source: MOFSL, Company

Exhibit 3: Adjusted EBITDA/t improved QoQ driven by higher e-auction premiums



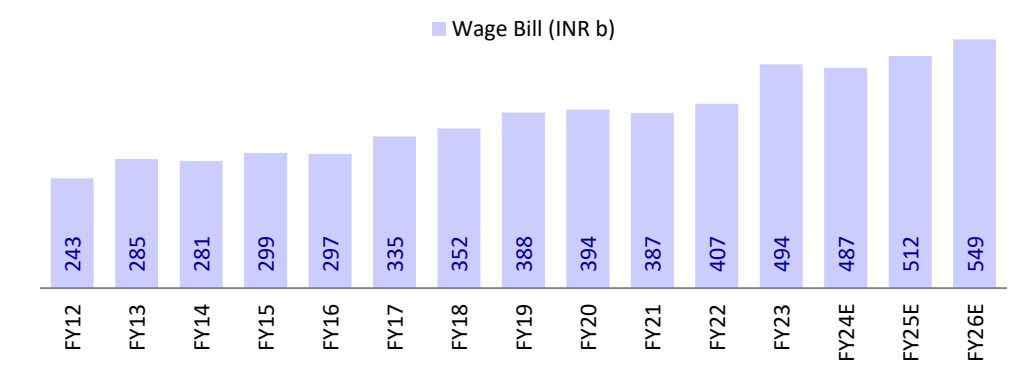
Source: MOFSL, Company

Exhibit 4: Adjusted cash cost was down QoQ



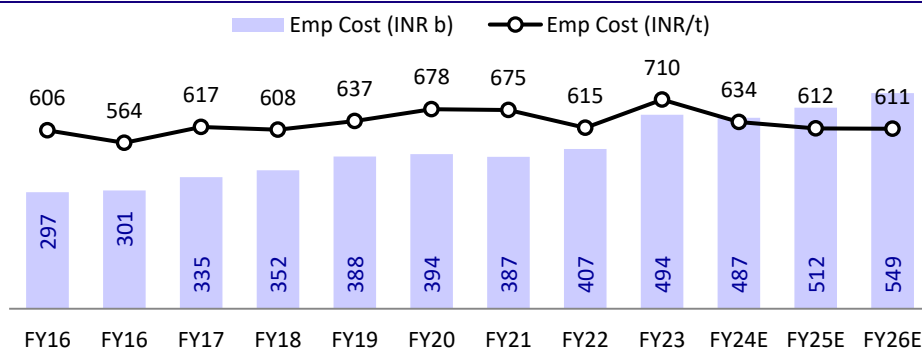
Source: MOFSL, Company

Exhibit 5: Wage bill (employee expenses) witnessed a sudden surge in FY23, on the back of higher NCWA-XI wage provisions; wage bill has now stabilized



Source: MOFSL, Company

Exhibit 6: Higher dispatches will keep a check on rising absolute employee costs; employee cost/t is expected to reduce in FY25 and remain stable thereafter



Source: MOFSL, Company

Exhibit 7: Key assumptions and changes to our estimates

Particulars	UoM	FY24E			FY25E			FY26E		
		New	Old	% change	New	Old	% change	New	Old	% change
Production	mt	739	724	2.1%	837	821	1.9%	899	880	2.1%
Dispatch	mt	767	751	2.1%	837	821	1.9%	899	880	2.1%
- FSA	mt	680	665	2.2%	735	719	2.2%	775	756	2.4%
- E-auction	mt	72	72	0.3%	76	76	0.0%	88	88	0.0%
ASP										
- Blended	INR/t	1,744	1,694	2.9%	1,745	1,699	2.7%	1,824	1,752	4.1%
- FSA	INR/t	1,536	1,536	0.0%	1,575	1,575	0.0%	1,614	1,614	0.0%
- E-auction	INR/t	3,195	2,849	12.2%	2,913	2,504	16.4%	2,841	2,421	17.3%
- E-auction premium	INR/t	108%	85%		85%	59%		76%	50%	
Revenue	INR b	1,458	1,391	4.8%	1,552	1,485	4.5%	1,739	1,640	6.0%
Adj EBITDA	INR b	424	368	15.2%	421	386	9.1%	479	438	9.5%
PAT	INR b	310	253	22.5%	280	254	10.4%	315	283	11.6%

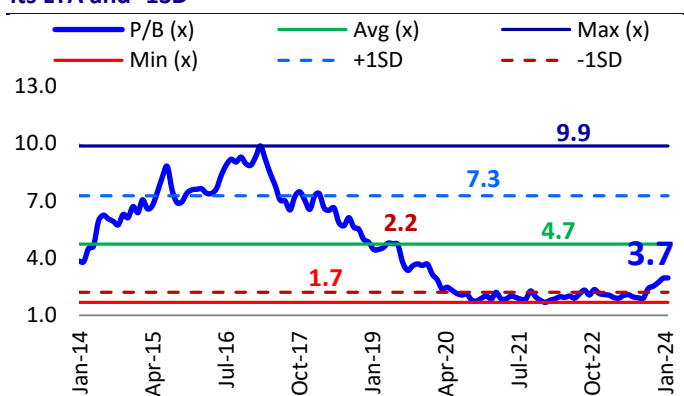
Source: MOFSL, Company

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

Target Price calculations	UoM	FY25E
Adjusted EBITDA	INR b	479
Target EV/EBITDA (x)	x	5.5
Target EV	INR b	2,625
Net debt	INR b	(414)
Equity value	INR b	3,039
TP		490

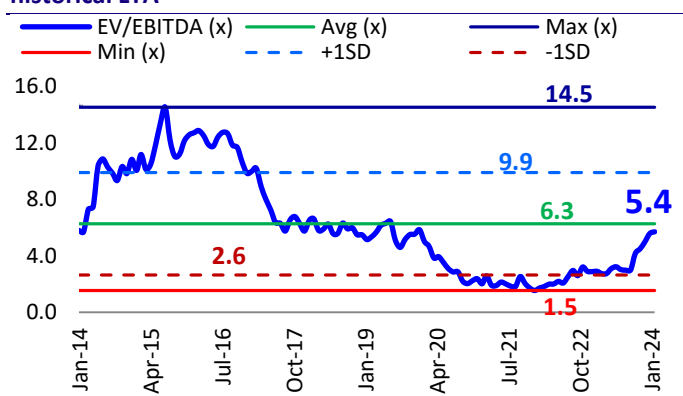
Source: MOFSL, Company

Exhibit 9: COAL's P/B multiple remains cheap and between its LTA and -1SD



Source: MOFSL, Company

Exhibit 10: Even the EV/EBITDA multiple is below its historical LTA



Source: MOFSL, Company

Financials and valuations

Income Statement										
										(INR b)
Y/E March	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
Net Sales	784	859	995	961	900	1,097	1,383	1,458	1,552	1,739
Change (%)	0.5	9.6	15.9	-3.5	-6.3	21.9	26.0	5.4	6.5	12.0
Operating Expenses	660	689	746	742	715	850	1,014	1,067	1,176	1,307
EBITDA	124	170	250	219	186	247	368	391	377	432
Adjusted EBITDA	151	203	300	275	200	285	406	424	421	479
adj. EBITDA/ton	277	350	494	473	349	430	584	552	503	533
Depreciation	29	31	35	35	37	44	47	50	65	75
Interest	4	4	3	5	6	5	7	8	9	9
Other Income	55	47	59	61	38	39	66	78	66	69
Extra Ordinary exp (inc)	0	74	0	0	0	0	0	0	0	0
PBT after EO	146	107	271	241	180	236	380	411	369	416
Tax	52	37	97	74	53	62	99	105	93	105
Rate (%)	35.4	34.6	35.6	30.6	29.5	26.4	26.0	25.5	25.2	25.2
PAT (before MI and Sh. of Asso.)	94	70	175	167	127	174	281	306	276	311
Minority Interest	0	0	0	0	0	0	0	0	0	0
Reported PAT (after MI and Sh. of Asso.)	94	70	175	167	127	174	282	310	280	315
Change (%)	-34.1	-25.5	148.8	-4.3	-24.0	36.7	62.3	10.1	-9.8	12.7
Adjusted PAT	94	119	175	167	127	174	282	310	280	315
Change (%)	-34.1	26.3	46.8	-4.3	-24.0	36.7	62.3	10.1	-9.8	12.7

Balance Sheet										
										(INR b)
Y/E March	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
Share Capital	62	62	62	62	62	62	62	62	62	62
Reserves	183	136	203	260	304	370	511	662	798	951
Net Worth	245	198	265	322	365	431	572	723	860	1,013
Minority Interest	3	4	4	4	4	7	8	8	8	8
Loans	30	15	22	64	59	33	41	46	51	51
Deferred tax Liability	-27	-54	-43	-33	-41	-41	-42	-42	-42	-42
Capital Employed	251	164	248	357	388	430	580	736	877	1,030
Gross Fixed Assets	277	326	402	474	565	660	723	872	984	1,099
Less: Depreciation	56	85	116	150	187	232	253	303	368	443
Net Fixed Assets	221	241	286	323	378	428	470	569	617	657
Capital Work in Progress	103	138	137	128	151	168	225	242	254	254
Investments	0	3	5	9	23	24	31	31	31	31
Current Assets	809	839	857	1,007	1,025	1,141	1,344	1,389	1,476	1,601
Inventory	89	64	56	66	89	71	82	86	92	103
Debtors	107	87	55	144	196	114	131	138	147	164
Other Current Assets	285	351	392	490	524	588	688	725	772	865
Loans and Advances	0	10	16	11	6	4	4	4	4	4
Cash (incl. bank balance)	327	326	338	295	209	365	440	436	462	465
Current Liabilities	882	1,058	1,037	1,110	1,189	1,331	1,491	1,495	1,501	1,513
Payables	39	45	68	101	76	86	85	90	96	108
Other current liabilities	843	1,012	968	1,009	1,113	1,245	1,405	1,405	1,405	1,405
Net Curr. Assets	-73	-218	-179	-104	-164	-190	-147	-106	-25	88
Application of Funds	251	164	248	357	388	430	580	736	877	1,030

E: MOFSL Estimates

Financials and valuations

Ratios

Y/E March	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
Basic										
Adjusted EPS	15.2	19.2	28.3	27.1	20.6	28.2	45.7	50.3	45.4	51.2
Cash EPS	24.2	29.5	42.2	41.7	29.0	41.5	59.5	64.9	61.9	63.3
Book Value	39.5	32.0	42.9	52.2	59.3	70.0	92.9	117.4	139.5	164.4
DPS	19.9	16.5	13.1	12.0	16.0	17.0	24.3	25.2	22.7	25.6
Payout (incl. Div. Tax.)	160.3	103.3	46.2	44.4	77.6	60.4	53.1	50.0	50.0	50.0
Valuation (x)										
P/E	28.5	22.6	15.3	16.0	21.0	15.4	9.5	8.6	9.5	8.5
Cash P/E	17.9	14.7	10.3	10.4	14.9	10.4	7.3	6.7	7.0	6.8
P/BV	11.0	13.5	10.1	8.3	7.3	6.2	4.7	3.7	3.1	2.6
EV/Adj. EBITDA	15.9	11.7	7.8	8.9	12.6	8.2	5.6	5.4	5.4	4.7
Dividend Yield (%)	4.6	3.8	3.0	2.8	3.7	3.9	5.6	5.8	5.2	5.9
Turnover Ratios										
Debtor (Days)	50.0	36.9	20.2	54.7	79.6	37.8	34.5	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	21.5
Payables (Days)	18.2	19.2	25.0	38.4	31.0	28.6	22.6	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	1.7
Profitability Ratios (%)										
Adj. EBITDA Margin	19.2	23.7	30.2	28.6	22.2	25.9	29.4	29.1	27.1	27.6
APAT Margin	12.0	13.9	17.5	17.4	14.1	15.8	20.4	21.3	18.0	18.1
RoE	38.4	35.4	66.0	52.0	34.8	40.2	49.2	42.9	32.5	31.1
RoCE (post tax)	32.7	58.4	85.7	56.4	35.4	43.5	56.7	47.5	35.1	33.4
Leverage Ratio										
Net Debt/Equity (x)	-1.2	-1.6	-1.2	-0.7	-0.4	-0.8	-0.7	-0.5	-0.5	-0.4

Cash Flow Statement

Y/E March	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
(INR b)										
Adj EBITDA*	151	203	300	275	200	285	406	424	421	479
(Inc)/Dec in WC	60	138	-49	-123	-56	175	26	-44	-56	-110
Taxes paid	-89	-74	-95	-119	-57	-63	-97	-105	-93	-105
Others	37	-55	11	10	19	15	22	-33	-44	-48
CF from Operations	158	213	167	41	106	411	357	242	228	217
Capex	-87	-85	-73	-56	-109	-120	-152	-165	-125	-115
Free Cash Flow	72	127	94	-15	-3	291	205	77	103	102
(Pur)/Sale of Investments	0	-3	-1	-5	-8	-8	-7	0	0	0
Interest/dividend	35	24	31	35	22	11	27	78	66	69
Other investing activity	57	-12	-39	29	96	-140	-102	0	0	0
CF from Investments	5	-77	-83	3	2	-257	-234	-87	-59	-46
Equity raised/(repaid)	-46	0	0	0	0	0	0	0	0	0
Debt raised/(repaid)	18	-15	7	23	-6	-26	8	5	5	0
Interest paid	0	0	0	-1	-2	-1	-1	-8	-9	-9
Dividend (incl. tax)	-151	-123	-112	-97	-77	-108	-143	-155	-140	-158
Other financing	3	3	4	5	0	0	0	0	0	0
CF from Fin. Activity	-176	-136	-102	-70	-85	-134	-137	-158	-144	-167
Inc/Dec of Cash	-13	0	-17	-25	23	20	-14	-3	25	4
Add: Beginning Cash Balance	83	70	70	53	28	51	71	57	53	79
Closing cash Balance	70	70	53	28	51	71	57	53	79	82
Bank Balance	257	257	286	267	158	294	383	383	383	383
Closing Balance (incl. bank bal.)	327	326	338	295	209	365	440	436	462	465

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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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