

Healthy traction in volume augurs well...

About the stock: Coal India (CIL) is one of the largest coal producers in the world. In FY22, CIL produced 623 million tonnes (MT) while offtake was at 662 MT.

- CIL has 345 mines (as on April 1, 2021) of which 151 are underground, 172 open cast and 22 mixed mines
- CIL has extensive mining capabilities. It possesses advanced technology in open cast mining

Key Updates:

- Coal India reported production and offtake volume for March 2023 and for FY23. For March 2023, CIL reported production volume of 83.5 million tonnes (MT), up 4% YoY, while offtake volume for March 2023 was at 64.2 MT, up 3.4% YoY
- CIL has slightly bettered its FY23 production volume target of 700 MT. For FY23, CIL's production volume was at 703.2 MT, up 12.9% YoY while offtake volume for FY23 was at 694.7 MT, up 5% YoY
- For FY24, CIL has given a production and offtake target of 780 MT. Of this, 610 MT is likely to meet the power sector's demand. Hence, going forward, availability of coal for the non-regulated sector (which includes e-auction volumes) is likely to increase notably in FY24 when compared with FY23. This augurs well for CIL's e-auction volumes for FY24E

What should investors do? CIL's share price has given a return of ~30% in the last 12 months (from ~₹ 172 in April 2022 to ~₹ 223 levels in April 2023).

- Coal India reported healthy growth in volume for FY23 wherein it slightly bettered its production volume guidance of 700 MT. Going forward, we expect healthy traction in volumes to continue. Hence, we upgrade the stock from HOLD to **BUY**

Target Price and Valuation: We value CIL at ₹ 260, 4.5x FY24E EV/EBITDA.

Key triggers for future price performance:

- Over FY22-24E, we expect CIL's consolidated topline to grow at a CAGR of 7.9% while consolidated EBITDA and consolidated PAT are expected to register a CAGR of 13.5% and 16.4%, respectively
- We expect CIL to report consolidated EBITDA margins of 30.9% for FY23E and 24.9% for FY24E (EBITDA margin of 22.5% for FY22)

Alternate Stock Idea: Besides Coal India, we also like NMDC.

- NMDC is one of the lowest cost iron ore producer in the world.
- BUY with a target price of ₹ 140

Key Financial Summary

(₹ Crore)	FY19	FY20	FY21	FY22	CAGR in % (FY17-FY22)	FY23E	FY24E	CAGR (FY22-FY24E)
Total Operating Income	99,586	96,080	90,026	1,09,714	5.9%	1,36,051	1,27,670	7.9%
EBITDA	25,006	21,581	18,574	24,691	15.1%	41,651	31,790	13.5%
EBITDA Margin (%)	25.1	22.5	20.6	22.5		30.6	24.9	
PAT	17,464	16,700	12,702	17,378	3.8%	30,933	23,543	16.4%
EPS (₹)	28.3	27.1	20.6	28.2		50.2	38.2	
EV/EBITDA (x)	4.2	5.3	6.6	4.3		2.6	3.5	
RoCE (%)	86.3	54.6	42.3	52.0		63.2	40.9	
RoE (%)	66.0	51.9	34.8	40.3		50.1	32.3	

Source: Company, ICICI Direct Research



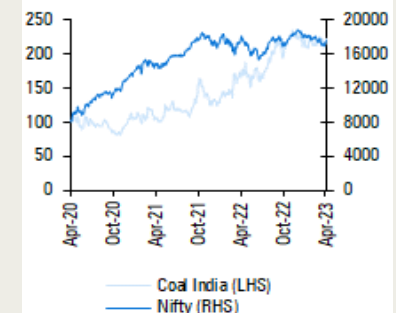
Particulars

Particular	Amount
Market Capitalization	₹ 136628 crore
Total Debt (FY22)	₹ 3310 crore
Cash and Bank	₹ 29179 crore
Balance(FY22)	
EV	₹ 110759 crore
52 week H/L	263 / 165
Equity capital	₹ 6162.7 crore
Face value	₹ 10

Shareholding pattern

(in %)	Mar-22	Jun-22	Sep-22	Dec-22
Promoter	66.1	66.1	66.1	66.1
FII's	6.9	6.5	6.7	7.9
DII's	21.8	22.5	22.5	21.2
Public	5.2	4.8	4.6	4.8
Total	100.0	100.0	100.0	100.0

Price Chart



Key Risks

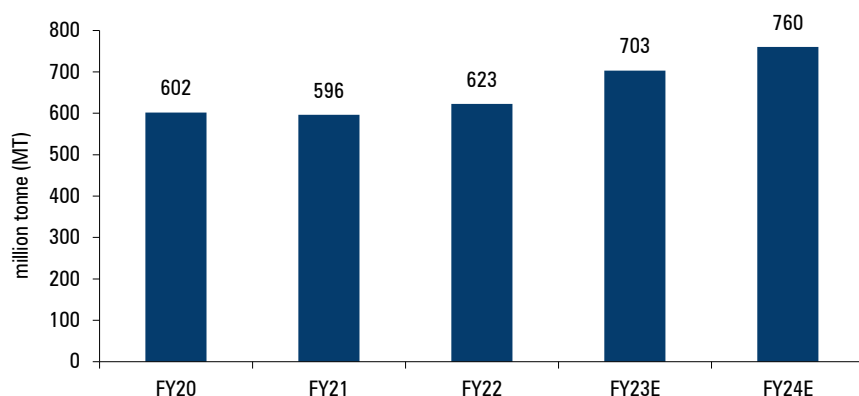
- Higher-than-expected increase in operating costs
- Lower-than-expected increase in offtake

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Financial story in charts

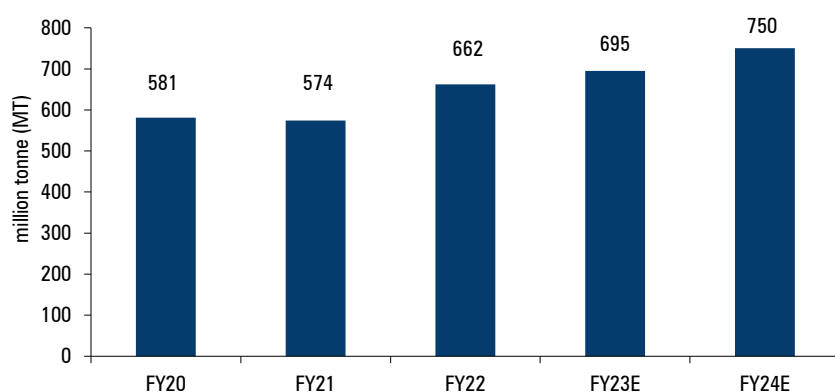
Exhibit 1: Trend in production



We model coal production volume of 760 MT for FY24E

Source: Company, ICICI Direct Research

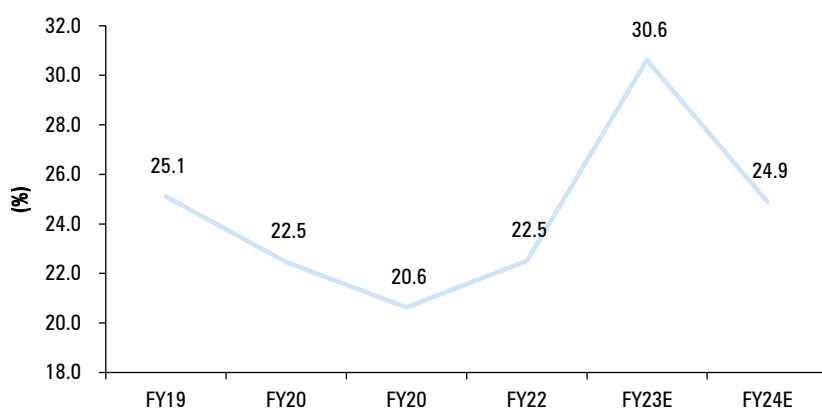
Exhibit 2: Trend in offtake



We model coal offtake volume of 750 MT for FY24E

Source: Company, ICICI Direct Research

Exhibit 3: Trend in reported consolidated EBITDA margin (in %)



We expect CIL to report consolidated EBITDA margin of 30.6% for FY23E and 24.9% for FY24E. We expect the company to report EBITDA/tonne of ₹ 600/tonne for FY23E and ₹ 424/tonne for FY24E (₹ 373/tonne for FY22)

Source: Company, ICICI Direct Research

Exhibit 4: Valuation Matrix

	Op. Inc.	Growth	EPS	Growth	PE	EV/EBITDA	RoNW	RoCE
	(₹ cr)	(%)	(₹)	(%)	(x)	(x)	(%)	(%)
FY20	96,080	-3.5	27.1	-4.4	8.2	5.3	51.9	54.6
FY21	90,026	-6.3	20.6	-23.9	10.8	6.6	34.8	42.3
FY22	1,09,714	21.9	28.2	36.8	7.9	4.3	40.3	52.0
FY23E	1,36,051	24.0	50.2	78.0	4.4	2.6	50.1	63.2
FY24E	1,27,670	-6.2	38.2	-23.9	5.8	3.5	32.3	40.9

Source: Company, ICICI Direct Research

Exhibit 5: Valuation

Particulars	Units	Mar-24E
EBITDA (FY24E)	₹ crore	31,790
Multiple	x	4.5
EV (A)	₹ crore	143054
Gross Debt (FY24E)	₹ crore	3310
Cash and Bank Balance (FY24E)	₹ crore	20,292
Net Cash and Bank Balance (FY24E) (B)	in crore	16982
Derived Market Cap (A) + (B)	in crore	160036
No. of Equity Shares	in crore	616
Target price of Coal India	in ₹/share	260
CMP of Coal India	in ₹/share	223
Upside (%)	in %	17%

Source: Company, ICICI Direct Research

Financial summary (Consolidated)

Exhibit 6: Profit and loss statement				
	₹ crore			
(Year-end March)	FY21	FY22	FY23E	FY24E
Total Operating Income	90026	109714	136051	127670
Growth (%)	-6.3	21.9	24.0	-6.2
Total Operating Expenditure	71453	85023	94400	95880
EBITDA	18574	24691	41651	31790
Growth (%)	-13.9	32.9	68.7	-23.7
Depreciation	3709	4429	4421	4642
Interest	645	541	555	569
Other Income	3792	3905	4911	5157
Share of JV profit / (loss)	-3	-9	-249	-274
PBT	18010	23616	41337	31462
Total Tax	5307	6238	10405	7919
PAT	12702	17378	30933	23543
Growth (%)	-23.9	36.8	78.0	-23.9
EPS (₹)	20.6	28.2	50.2	38.2

Source: Company, ICICI Direct Research

Exhibit 7: Cash flow statement				
	₹ crore			
(Year-end March)	FY21	FY22	FY23E	FY24E
Profit after Tax	12702	17378	30933	23543
Add: Depreciation	3709	4429	4421	4642
Add: Interest	645	541	555	569
(Inc)/dec in Current Assets	-11265	4120	-9476	-3584
Inc/(dec) in CL and Prov.	7595	14171	158	78
CF from operating activities	13387	40639	26590	25248
(Inc)/dec in Investments	-3977	-3756	-25	-25
(Inc)/dec in Fixed Assets	-13115	-15401	-16500	-16500
Others	435	-279	-1000	-1000
CF from investing activities	-16658	-19437	-17525	-17525
Issue/(Buy back) of Equity	0	0	0	0
Inc/(dec) in loan funds	-551	-2566	0	0
Interest Paid	-645	-541	-555	-569
Dividend paid & dividend tax	-9860	-10477	-12325	-12325
Others	3188	4249	50	50
CF from financing activities	-7867	-9334	-12830	-12844
Net Cash flow	-11139	11869	-3765	-5121
Opening Cash	28449	17310	29179	25413
Closing Cash	17310	29179	25413	20292

Source: Company, ICICI Direct Research

Exhibit 8 : Balance sheet				
	₹ crore			
(Year-end March)	FY21	FY22	FY23E	FY24E
Liabilities				
Equity Share Capital	6163	6163	6163	6163
Reserve and Surplus	30355	36980	55588	66805
Total Shareholders funds	36517	43143	61750	72968
Total Debt	5875	3310	3310	3310
Minority Interest	441	674	724	774
Total Liabilities	42834	47126	65784	77051
Assets				
Gross Block	95796	104594	119094	133594
Less: Acc Depreciation	53305	57733	62154	66796
Net Block	42491	46861	56940	66798
CWIP	10404	12714	14714	16714
Investments	5950	9706	9731	9756
Inventory	8947	7076	9052	9194
Debtors	19623	11368	15368	15059
Loans and Advances	13658	14886	15886	17386
Other Current Assets	41051	45830	48330	50580
Cash	17310	29179	25413	20292
Total Current Assets	100590	108338	114049	112511
Current Liabilities	49301	61190	58848	56426
Provisions	69645	71927	74427	76927
Current Liabilities & Prov	118946	133117	133275	133353
Net Current Assets	-18356	-24778	-19226	-20842
Others	2345	2624	3624	4624
Application of Funds	42834	47126	65784	77051

Source: Company, ICICI Direct Research

Exhibit 9 :Key ratios				
	₹ crore			
(Year-end March)	FY21	FY22	FY23E	FY24E
Per share data (₹)				
EPS	20.6	28.2	50.2	38.2
Cash EPS	26.6	35.4	57.4	45.7
BV	59.3	70.0	100.2	118.4
DPS	16.0	17.0	22.5	22.5
Cash Per Share	28.1	47.3	41.2	32.9
Operating Ratios (%)				
EBITDA Margin	20.6	22.5	30.6	24.9
PBT / Total Operating income	20.0	21.5	30.4	24.6
PAT Margin	14.1	15.8	22.7	18.4
Inventory days	46	30	35	35
Debtor days	87	41	42	45
Creditor days	49	43	35	35
Return Ratios (%)				
Adj RoE	34.8	40.3	50.1	32.3
Adj RoCE	42.3	52.0	63.2	40.9
Valuation Ratios (x)				
P/E	10.8	7.9	4.4	5.8
EV / EBITDA	6.6	4.3	2.6	3.5
EV / Net Sales	1.4	1.0	0.8	0.9
Market Cap / Sales	1.5	1.2	1.0	1.1
Price to Book Value	3.7	3.2	2.2	1.9
Solvency Ratios				
Debt/EBITDA	0.3	0.1	0.1	0.1
Debt / Equity	0.2	0.1	0.1	0.0
Current Ratio	0.8	0.8	0.9	0.8
Quick Ratio	0.8	0.8	0.8	0.8

Source: Company, ICICI Direct Research

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