

## Performs well, on well chartered growth trajectory...

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 83 mining areas across eight states, currently owing 322 mines including 138 underground, 171 opencast and 13 mixed mines.

**FY24 Volume Update:** Coal India reported a healthy production volume growth of 6% YoY to 88.6 million tonnes for March 2024 with overall FY24 production numbers reaching to 773.6 MT (up 10% YoY). Similarly, offtake volume for March 2024 stood at 68.8 MT (up by 7% YoY) and 753.5 MT (up by 8.5% YoY), respectively. It has maintained a production and sales volume guidance of 838 MT for FY25.

**Q3FY24 Results:** Reports healthy performance for the quarter. Total operating income for the quarter came in at ₹ 36154 crore (up 3% YoY & 10% QoQ) with coal sales volume of 191 million tonne (up 9% YoY and 10% QoQ). Reported EBITDA for the quarter came in at ₹ 11,373 crore with corresponding EBITDA margins at 31.5% (up ~200 bps YoY). EBITDA/tonne for Q3FY24 came in at ₹ 594/tonne in Q3FY24 vs. ₹ 468/tonne in Q2FY24. PAT in Q3FY24 stood at ₹ 9094 crore (up 18% YoY and 33% QoQ basis). The company declared an interim dividend of ₹ 5.25 per share.

**Investment Rationale:** Long term thesis intact

- Coal share in India's energy basket remain significant: Coal accounts ~50% of India's energy and ~70% of electricity needs, making it as the primary energy source for the country. Despite increasing focus on renewable/non-fossil fuel-based energy, there is anticipated growth in coal based thermal capacity to meet rising energy needs domestically. Thus, demand for coal is expected to reach ~1.3 to 1.5 billion tonnes by 2030 positioning Coal India a clear beneficiary. Moreover, India imported ~180 MT of non-coking coal as of FY23, providing immediate opportunity for Coal India, medium term trigger
- Volume led growth to continue: CIL achieved its highest production volume of 774 MT in FY24 driven by robust demand from power sector. With government aiming for 24x7 power supply for all by 2025, CIL has set an ambitious target of achieving a production volume to 1000 MT by FY26E. We have forecast coal production at CIL to grow at a CAGR of 11% over FY23-26E to 950 MT by FY26E. Key enablers for double digit volume growth are: (i) better evacuation infrastructure in terms of First Mile Connectivity projects (ii) Engaging with 15 Mine Developer Operators (MDO) for a targeted capacity of ~170 MT and (iii) revival of Underground Mines wherein it has identified 30 discontinued mines with reserve of ~600 MT.

### Rating and Target Price

- We have a positive view on Coal India amidst healthy volume growth on anvil, superlative return ratios (RoCE's at ~40%), healthy net cash positive b/s and its leading contribution to India's energy needs. We assign BUY rating to Coal India with target price of ₹550 wherein we have valued it at 5x EV/EBITDA on FY26E. High dividend yield of ~6% is added positive.



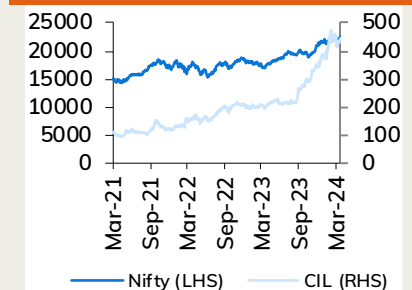
### Particulars

Particulars	₹ crore
Market capitalisation	2,74,241
Total Debt (FY23)	4,331
Cash & Investment (FY23)	43,976
EV (₹ crore)	2,34,597
52 week H/L (₹)	488 / 214
Equity capital (₹ crore)	6,162.7
Face value (₹)	10.0

### Shareholding pattern

	Mar-23	Jun-23	Sep-23	Dec-23
Promoter	66.1	63.1	63.1	63.1
FII	7.8	9.3	7.8	8.6
DII	21.1	22.3	24.1	23.1
Other	5.0	5.3	5.0	5.2

### Price Chart



### Recent Event & Key risks

- Sales/PAT is expected to grow at 9%/14% CAGR over FY23-26E.
- Key Risk: (i) lower than built in e-auction sales volume (ii) high operating costs limiting the anticipated margin recovery

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### Key Financial Summary

Key Financials (₹ crore)	FY19	FY20	FY21	FY22	FY23	4 year CAGR (FY19-23)	FY24E	FY25E	FY26E	3 year CAGR (FY23-26E)
Net Sales	92,896	89,373	82,710	1,00,623	1,27,627	8.3%	1,30,073	1,40,432	1,64,033	8.7%
EBITDA	25,006	21,921	18,629	24,690	36,818	10.2%	41,039	45,254	52,256	12.4%
EBITDA Margins (%)	26.9	24.5	22.5	24.5	28.8		31.6	32.2	31.9	
Net Profit	17,463	16,714	12,700	17,358	28,165	12.7%	32,145	35,191	41,374	13.7%
EPS (₹)	28.3	27.1	20.6	28.2	45.7		52.2	57.1	67.1	
P/E	15.7	16.4	21.6	15.8	9.7		8.5	7.8	6.6	
RoNW (%)	66.0	51.9	34.8	40.3	49.2		44.3	39.1	37.4	
RoCE (%)	63.5	41.6	30.3	37.4	45.6		42.1	38.7	37.7	

Source: Company, ICICI Direct Research

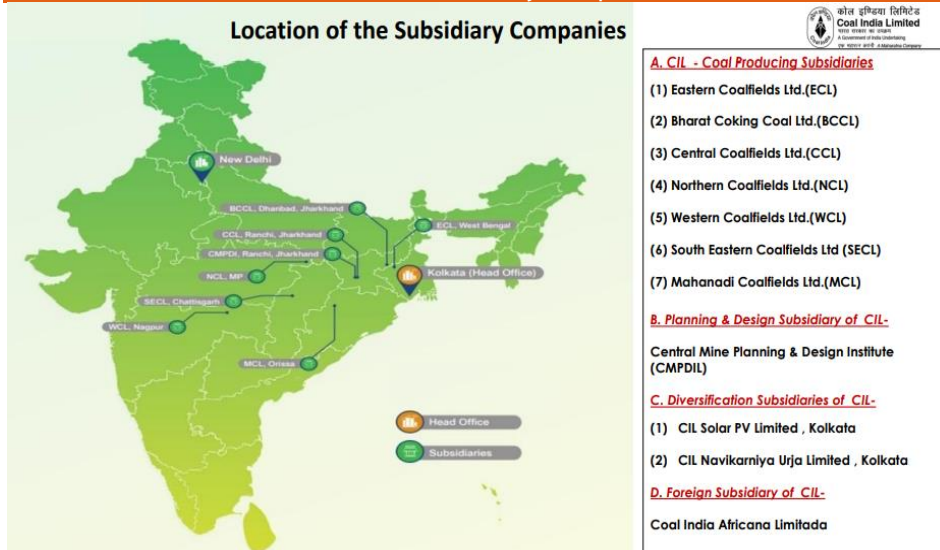
## Company background

Coal India Ltd is the leading coal producing company in India. Incorporated in 1973 as Coal Mines Authority Ltd after the nationalization of the coal sector, it was reconstituted as a formal holding company with Coal India Ltd in November 1975. Headquartered in Kolkata, conferred with the “Maharatna” status in 2011 and operates under the aegis of Ministry of Coal, Government of India.

It operates 83 mining areas spread across eight states and currently owns 322 mines, including 171 open cast, 138 underground, and 13 mixed mines. It operates 13 coal washeries including 11 coking coal and 2 non coking washeries, with a total operable washing capacity of ~25 MT. It has an extensive network of transportation infrastructure to facilitate the movement of coal from mines to various destinations. Network comprises of railways (53% of dispatches), followed by road (31% of dispatches), merry go rounds (14% of dispatches), and belt-ropes (2% of dispatches). It has 11 fully owned subsidiary companies, including 7 coal producing subsidiaries, 2 subsidiaries are involved in development of non-conventional/clean & renewable energy, 1 international mining subsidiary located in Mozambique, among others.

During FY23, Coal India produced 703 MT coal contributing ~79% of India’s coal supply and dispatched 695 MT coal with ~84% supplied to power sector, making CIL the largest supplier of thermal coal to the sector and directly impacting power security of the country. The remaining ~16% is supplied to steel, cement, fertilizer, etc.

### Exhibit 1: Coal India- Location of the Subsidiary Companies

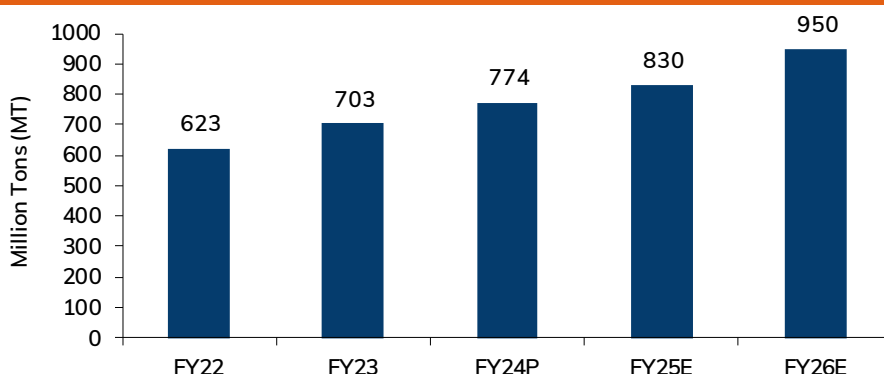


Source: Company, ICICI Direct Research

### Healthy volume growth on the anvil amid ambitious production targets

Coal India has envisaged coal supply target of 838 MT in FY25. With government plans of 24x7 power supply to all homes in the country by 2025, Coal India has set an ambitious target of 1000 MT of coal production by FY26. To achieve the projected production, CIL is strengthening its coal evacuation capacity by initiating First Mile Connectivity projects, involving installation of mechanised conveyor systems to move coal from pitheads to loading points, eliminating the need for road movement of coal.

### Exhibit 2: Coal Production Trend at Coal India



Source: Company, ICICI Direct Research

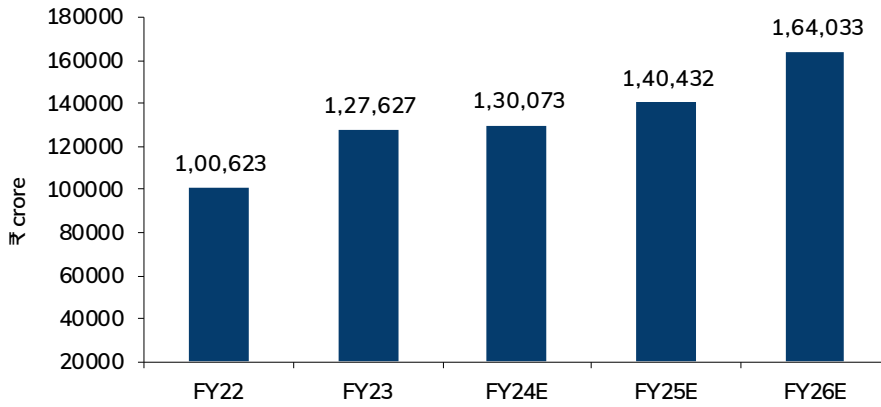
### Q3FY24 Concall Key Takeaway

- CL has revised its production volume guidance for FY25 to 838 MT from the earlier guidance of 850 MT due to coal stock availability at power plants.
- CL expects E-Auction volume contribution to be in the ~15% range in Q4 FY24. E-Auction premium over FSA price in Q4FY24 is anticipated to be in the ~40%-45% range and expected to remain in same range for next subsequent quarters.
- Capex for FY24 and FY25 is expected to be ₹16,500 and ₹17,500 crores, respectively, and will largely meet through internal accruals.
- CL aims to maintain an average blended realization of ~₹1,725 per ton by increasing volume contribution from non-regulated sector, which provides higher premium than power sector.
- CL aims for 170 to 200 MT of imported coal be able to substituted by domestic coal. It expects 50 MT of coal continue to be imported due to high grade of coking coal requirement from steel sector.
- CL expects no meaningful rise in employee costs going forward in the near term

We expect production volumes at CIL to grow at a CAGR of 11% over FY23-26E to 950 MT by FY26E. Conservatively, for FY25E we have built in production volume of 830 MT

## Key Financial charts

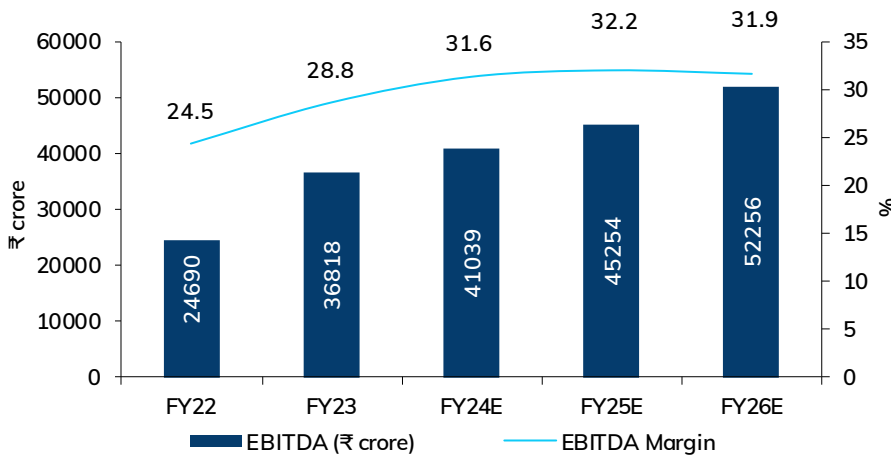
Exhibit 3: Trend in topline



Source: Company, ICICI Direct Research

Topline is expected to grow at 9% CAGR at Coal India over FY23-26E to ₹ 1.64 lakh crore as of FY26E. Volume growth in the aforesaid period is pegged at ~11%

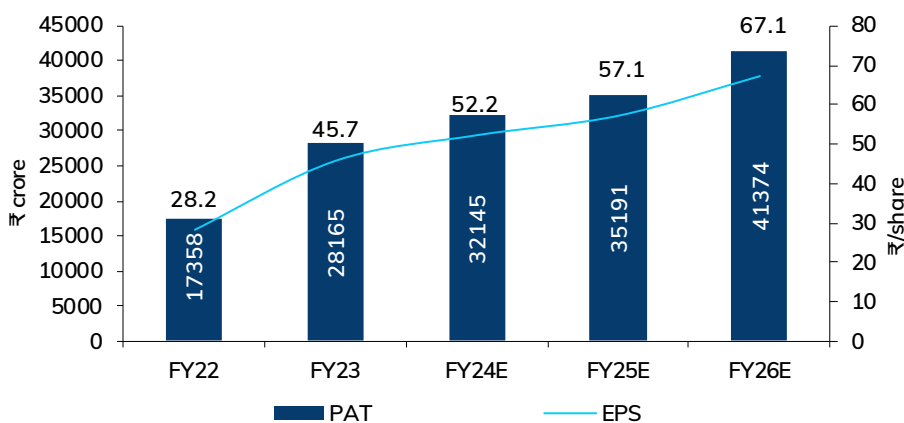
Exhibit 4: Trend in EBITDA & margins



Source: Company, ICICI Direct Research

At Coal India EBITDA is expected to grow at 12.4% CAGR over FY23-26E to ₹ 52,256 crore in FY26E with margins reaching ~32% mark in that timeframe. Coal India is expected to benefit from rise in E-auction sales volume as well as intent of decline in employee count going forward.

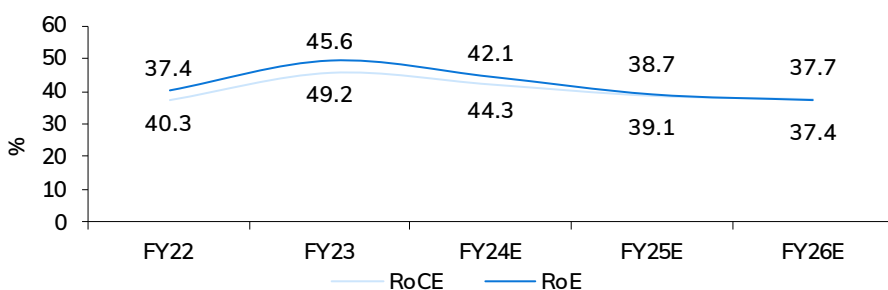
Exhibit 5: Trend in bottom-line & EPS



Source: Company, ICICI Direct Research

PAT is expected to grow at a CAGR of 13.7% over FY23-26E at Coal India to ₹ 41,374 crore in FY26E with corresponding EPS seen at ₹67 in FY26E

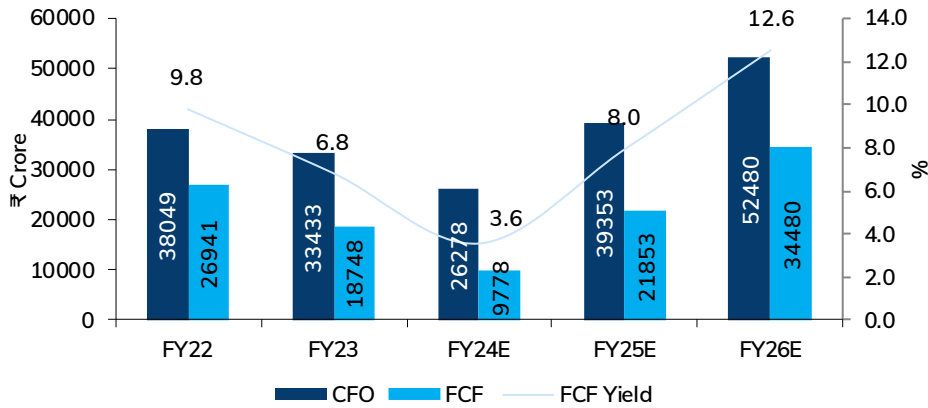
Exhibit 6: Trend in return ratio



Source: Company, ICICI Direct Research

Coal India has on a consistent basis realised healthy return ratios and is expected to report RoE/RoCE of ~40%

Exhibit 7: CFO, FCF trend along with FCF yield



Cash flow generation (CFO, FCF) has always been very healthy at Coal India. Going forward, FY24-26 avg. FCF yield is seen at ~8%

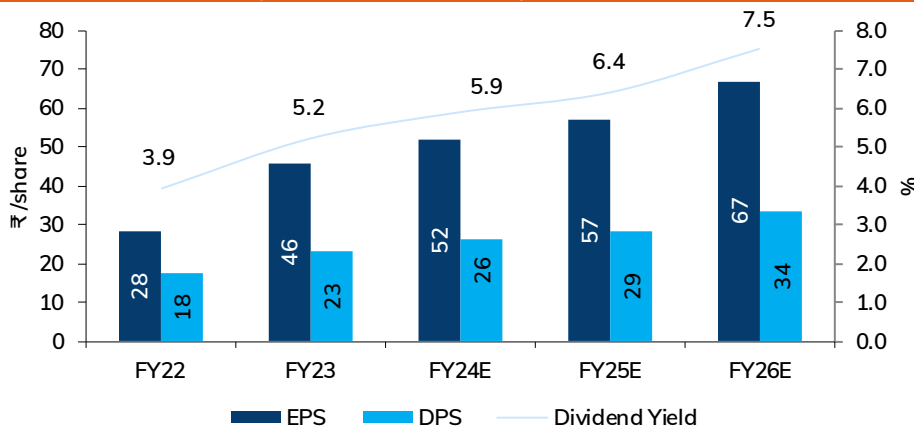
Source: Company, ICICI Direct Research

Exhibit 8: Key Operational Matrix

Particulars	Units	FY22	FY23	FY24E	FY25E	FY26E
<b>Total Production</b>	<b>MT</b>	<b>623</b>	<b>703</b>	<b>774</b>	<b>830</b>	<b>950</b>
Total FSA	MT	540	621	663	712	787
% of total sales vol	%	82%	89%	88%	86%	83%
Realisation	₹/tonne	1,407	1,475	1,535	1,551	1,566
Total E-Auction	MT	111	62	78	100	143
% of total sales vol	%	17%	9%	10%	12%	15%
Realisation	₹/tonne	1,879	4,841	2,882	2,171	2,193
Total Raw Coal	MT	651	683	741	812	929
% of total sales vol	%	98%	98%	98%	98%	98%
Realisation	₹/tonne	1,488	1,789	1,677	1,627	1,662
Total Washed Coal	MT	7	7	8	12	14
% of total sales vol	%	1%	1%	1%	2%	2%
Realisation	₹/tonne	3,346	5,012	5,138	5,333	5,333
<b>Total Sales Volume</b>	<b>MT</b>	<b>663</b>	<b>695</b>	<b>754</b>	<b>830</b>	<b>950</b>
<b>Blended Realisation</b>	<b>₹/tonne</b>	<b>1,519</b>	<b>1,835</b>	<b>1,725</b>	<b>1,692</b>	<b>1,727</b>
<b>EBITDA/tonne</b>	<b>₹/tonne</b>	<b>373</b>	<b>529</b>	<b>544</b>	<b>545</b>	<b>550</b>

Source: Company, ICICI Direct Research

Exhibit 9: CIL – Dividend per share and dividend yield trend



By virtue of healthy cash generation and calibrated capex spend, dividend payout at Coal India has been healthy in the past at ~50% and is expected to remain so going forward as well. With increasing profitability, CIL is offering an attractive dividend yield of ~6% which indeed offers a good margin of safety for investment.

Source: Company, ICICI Direct Research

## Financial Summary

Exhibit 10: Profit and loss statement				
	₹ crore			
(Year-end March)	FY23	FY24E	FY25E	FY26E
Net Sales	1,27,627	1,30,073	1,40,432	1,64,033
Other Operating Income	10,624	11,913	12,639	14,763
<b>Total Operating Income</b>	<b>1,38,252</b>	<b>1,41,986</b>	<b>1,53,071</b>	<b>1,78,796</b>
Grow th (%)	26.0	2.7	7.8	16.8
Raw Material Expenses	13,349	11,658	13,280	19,000
Employee Expenses	49,409	47,770	49,800	57,000
Other Operating Expense	38,676	41,519	44,737	50,540
Total Operating Expenditur	1,01,434	1,00,947	1,07,817	1,26,540
<b>EBITDA</b>	<b>36,818</b>	<b>41,039</b>	<b>45,254</b>	<b>52,256</b>
Grow th (%)	-15.5	11.5	10.3	15.5
Depreciation	4,675	4,837	5,322	5,701
Interest	684	814	666	552
Other Income	6,551	7,324	7,911	9,135
<b>PBT</b>	<b>38,009</b>	<b>42,712</b>	<b>47,176</b>	<b>55,137</b>
Profit from JV & MI	-32.1	-368.1	-386.6	-405.9
Total Tax	9,876	10,935	12,372	14,169
<b>PAT</b>	<b>28,165</b>	<b>32,145</b>	<b>35,191</b>	<b>41,374</b>
Grow th (%)	-22.3	14.1	9.5	17.6
<b>EPS (₹)</b>	<b>45.7</b>	<b>52.2</b>	<b>57.1</b>	<b>67.1</b>

Source: Company, ICICI Direct Research

Exhibit 11: Cash flow statement				
	₹ crore			
(Year-end March)	FY23	FY24E	FY25E	FY26E
Profit after Tax	28,165	32,145	35,191	41,374
Add: Depreciation	4,675	4,837	5,322	5,701
(Inc)/dec in Current A:	-7,742	-2,710	-4,749	-10,691
Inc/(dec) in CL and Pr	14,201	-1,484	10,833	24,678
Others, Sub-Other Inc	-5,866	-6,510	-7,244	-8,583
<b>CF from operating a</b>	<b>33,433</b>	<b>26,278</b>	<b>39,353</b>	<b>52,480</b>
(Inc)/dec in Investmen	2,567	1,954	-10,100	-13,100
(Inc)/dec in Fixed Ass	-14,684	-16,500	-17,500	-18,000
Others, Add- Other in	3,357	7,554	8,142	9,367
<b>CF from investing a</b>	<b>-8,760</b>	<b>-6,992</b>	<b>-19,458</b>	<b>-21,733</b>
Issue/(Buy back) of E	0	0	0	0
Inc/(dec) in loan fund	818	-500	-500	-500
Dividend & interest ou	-15,013	-16,991	-18,230	-21,197
Inc/(dec) in Share Cap	0	0	0	0
Others	265	0	0	0
<b>CF from financing a</b>	<b>-13,930</b>	<b>-17,491</b>	<b>-18,730</b>	<b>-21,697</b>
<b>Net Cash flow</b>	<b>10,742</b>	<b>1,795</b>	<b>1,164</b>	<b>9,049</b>
Opening Cash	29,179	39,922	41,717	42,881
<b>Closing Cash</b>	<b>39,922</b>	<b>41,717</b>	<b>42,881</b>	<b>51,930</b>

Source: Company, ICICI Direct Research

Exhibit 12: Balance Sheet				
	₹ crore			
(Year-end March)	FY23	FY24E	FY25E	FY26E
<b>Liabilities</b>				
Equity Capital	6,163	6,163	6,163	6,163
Reserve and Surplus	51,082	67,050	84,677	1,05,405
<b>Total Shareholders fun</b>	<b>57,245</b>	<b>73,212</b>	<b>90,840</b>	<b>1,11,568</b>
Total Debt	4,331	3,831	3,331	2,831
Deferred Tax Liability	1,331	1,331	1,331	1,331
Minority Interest / Others	10,805	11,035	11,266	11,499
<b>Total Liabilities</b>	<b>73,712</b>	<b>89,410</b>	<b>1,06,768</b>	<b>1,27,229</b>
<b>Assets</b>				
Gross Block	77,321	96,443	1,16,443	1,36,943
Less: Acc Depreciation	25,360	30,197	35,519	41,220
Net Block	51,961	66,246	80,924	95,722
Capital WIP	17,622	15,000	12,500	10,000
<b>Total Fixed Assets</b>	<b>69,583</b>	<b>81,246</b>	<b>93,424</b>	<b>1,05,722</b>
Investments	7,139	5,185	15,285	28,385
Inventory	8,155	8,909	9,619	11,235
Debtors	13,060	14,255	15,390	17,976
Loans and Advances	393	401	432	505
Other Current Assets	42,872	43,626	46,498	52,913
<b>Cash</b>	<b>39,922</b>	<b>41,717</b>	<b>42,881</b>	<b>51,930</b>
Total Current Assets	1,04,402	1,08,907	1,14,820	1,34,560
Current Liabilities	8,549	8,909	9,619	11,235
Provisions	83,791	81,083	87,540	1,02,252
Current Liabilities & Prov	1,37,495	1,36,011	1,46,844	1,71,522
<b>Net Current Assets</b>	<b>-33,094</b>	<b>-27,105</b>	<b>-32,024</b>	<b>-36,962</b>
Others Assets	30,083	30,083	30,083	30,083
<b>Application of Funds</b>	<b>73,712</b>	<b>89,410</b>	<b>1,06,768</b>	<b>1,27,229</b>

Source: Company, ICICI Direct Research

Exhibit 13: Key ratios				
	₹ crore			
(Year-end March)	FY23	FY24E	FY25E	FY26E
<b>Per share data (₹)</b>				
EPS	45.7	52.2	57.1	67.1
Cash EPS	53.3	60.0	65.7	76.4
BV	92.9	118.8	147.4	181.0
DPS	24.3	26.3	28.5	33.5
Cash Per Share	64.8	67.7	69.6	84.3
<b>Operating Ratios (%)</b>				
EBITDA Margin	26.6	28.9	29.6	29.2
PAT Margin	20.4	22.6	23.0	23.1
Inventory days	23.3	25.0	25.0	25.0
Debtor days	37.4	40.0	40.0	40.0
Creditor days	24.4	25.0	25.0	25.0
<b>Return Ratios (%)</b>				
RoE	49.2	44.3	39.1	37.4
RoCE	45.6	42.1	38.7	37.7
RoIC	360.9	132.7	111.6	127.6
<b>Valuation Ratios (x)</b>				
P/E	9.7	8.5	7.8	6.6
EV / EBITDA	6.4	5.7	4.9	3.8
EV / Net Sales	1.8	1.8	1.6	1.2
Market Cap / Sales	2.1	2.1	2.0	1.7
Price to Book Value	4.8	3.7	3.0	2.5
<b>Solvency Ratios</b>				
Debt/EBITDA	0.1	0.1	0.1	0.1
Debt / Equity	0.1	0.1	0.0	0.0
Current Ratio	0.6	0.6	0.6	0.6
<b>Quick Ratio</b>	<b>0.5</b>	<b>0.5</b>	<b>0.5</b>	<b>0.5</b>

Source: Company, ICICI Direct Research

## RATING RATIONALE

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Buy: >15%

Hold: -5% to 15%;

Reduce: -15% to -5%;

Sell: <-15%



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## ANALYST CERTIFICATION

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