

CMP: ₹ 220

Target: ₹ 275 (25%)

Target Period: 12 months

BUY

August 11, 2022

E-auction realisations surprise positively...

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 for FY22 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 has advanced technology in open cast mining

Q1FY23 Results: CIL reported a healthy operational performance in Q1FY23.

- For Q1FY23, Coal India (CIL) reported offtake volume of 177 million tonnes (MT), up 11% YoY but down 2% QoQ (our estimate of 178 MT). FSA sales volume for the quarter was at 154 MT, up 21% YoY, 3% QoQ (our estimate of 153 MT) while FSA realisation for the quarter was at ₹ 1443/tonne, up 3% YoY but down 2% QoQ (broadly in line with our estimate of ₹ 1450/tonne). E-auction volume for the quarter were at 21 MT, down 30% YoY, 24% QoQ (our estimate of 24 MT), while E-auction realisation for the quarter was at ₹ 4340/tonne, up 177% YoY, 78% QoQ (significantly higher than our estimate of ₹ 2800/tonne)
- For Q1FY23, CIL reported consolidated topline of ₹ 35092 crore, up 39% YoY and 7% QoQ (higher than our estimate of ₹ 32505 crore). Consolidated EBITDA for the quarter was at ₹ 12251 crore (up 153% YoY, 35% QoQ), significantly higher than our estimate of ₹ 8436 crore. Consolidated EBITDA margin for the quarter was at 34.9% compared to 19.2% in Q1FY22 and 27.8% in Q4FY22 (our estimate of 26.0%). EBITDA/tonne for the quarter was at ₹ 690/tonne compared to ₹ 302/tonne in Q1FY22 and ₹ 504/tonne in Q4FY22 (our estimate of ₹ 475/tonne). Ensuing consolidated PAT for the quarter was at ₹ 8834 crore, up 178% YoY, 32% QoQ, significantly higher than our estimate of ₹ 6013 crore

What should investors do? CIL's share price has given a return of ~53% in the last 12 months (from ~₹ 144 in August 2021 to ~₹ 220 levels in August 2022).

- We maintain our **BUY** rating on the stock

Target Price and Valuation: We value CIL at ₹ 275, 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 5.7% while consolidated EBITDA and consolidated PAT are expected to register a CAGR of 14.7% and 14.6%, respectively
- We expect CIL to report consolidated EBITDA margins of 30.3% for FY23E and 26.5% for FY24E (22.5% for FY22)

Alternate Stock Idea: In our sector coverage, we like Ratnamani Metals and Tubes.

- Ratnamani Metals and Tubes is a niche player with superior capabilities in the industrial pipes and tubes segment
- BUY with a target price of ₹ 2000

Key Financial Summary

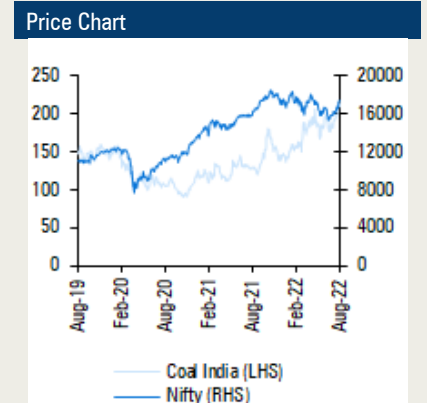
(₹ Crore)	FY19	FY20	FY21	FY22	CAGR in % (FY17-FY22)	FY23E	FY24E	CAGR (FY22-FY24E)
Total Operating Income	99,586	96,080	90,026	1,09,714	5.9%	1,21,209	1,22,607	5.7%
EBITDA	25,006	21,581	18,574	24,691	15.1%	36,778	32,467	14.7%
EBITDA Margin (%)	25.1	22.5	20.6	22.5		30.3	26.5	
PAT	17,464	16,700	12,702	17,378	3.8%	26,265	22,814	14.6%
EPS (₹)	28.3	27.1	20.6	28.2		42.6	37.0	
EV/EBITDA (x)	4.2	5.3	6.5	4.3		2.7	3.2	
RoCE (%)	86.3	54.6	42.3	52.0		58.8	44.2	
RoE (%)	66.0	51.9	34.8	40.3		45.0	33.2	

Source: Company, ICICI Direct Research



Particulars	Amount
Market Capitalization	₹ 134964 crore
Total Debt (FY22)	₹ 3310 crore
Cash and Bank Balance(FY22)	₹ 29179 crore
EV	₹ 109095 crore
52 week H/L	226 / 133
Equity capital	₹ 6162.7 crore
Face value	₹ 10

Shareholding pattern				
(in %)	Sep-21	Dec-21	Mar-22	Jun-22
Promoter	66.1	66.1	66.1	66.1
FIs	6.7	6.6	6.9	6.5
DIs	22.0	21.3	21.8	22.5
Others	5.1	6.0	5.2	4.8
Total	100	100	100	100



- Key Risks**
- Higher than expected increase in operating costs
 - Lower than expected increase in offtake

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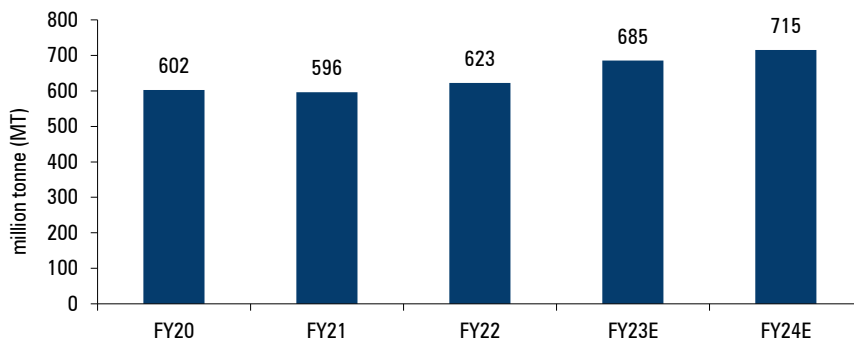
Exhibit 1: Variance Analysis

	Q1FY23	Q1FY23E	Q1FY22	YoY (%)	Q4FY22	QoQ (%)	Comments
Total Operating Income	35092	32505	25282	39	32707	7	Consolidated topline came in higher than our estimate
Other Income	995	1250	681	46	1789	-44	
Total Expenditure	22841	24069	20438	12	23628	-3	
EBITDA	12251	8436	4844	153	9079	35	Consolidated EBITDA came in higher than our estimate
EBITDA Margin (%)	34.9	26.0	19.2		19.2		Consolidated EBITDA margin came in higher than our estimate
Depreciation	994	1525	1041	-5	1412	-30	
Interest	150	125	148	2	121	24	
Share of JV	-24	0	-1	2121	1	NA	
PBT	12077	8036	4336	179	9335	29	
Total Tax	3243	2023	1161	179	2620	24	
PAT	8834	6013	3174	178	6715	32	Consolidated PAT came in higher than our estimate
Key Metrics							
Coal Sales (million tonne)	177	178	160	11	180	-2	Coal India's sales volume came in broadly in line with our estimate
FSA Volumes	154	153	127	21	150	3	Coal India's FSA's sales volume came in broadly in line with our estimate
FSA Realisations	1443	1450	1394	3	1474	-2	Coal India's FSA's realisations came in broadly in line with our estimate
E-auction volumes	21	24	30	-30	28	-24	Coal India's e-auction volume came in marginally lower than our estimate
E-auction realisations	4340	2800	1569	177	2434	78	Coal India's e-auction realisations came in notably higher than our estimate
EBITDA/tonne	690	475	302	129	504	37	Coal India's e-EBITDA/tonne came in significantly higher than our estimate

Source: Company, ICICI Direct Research

Financial story in charts

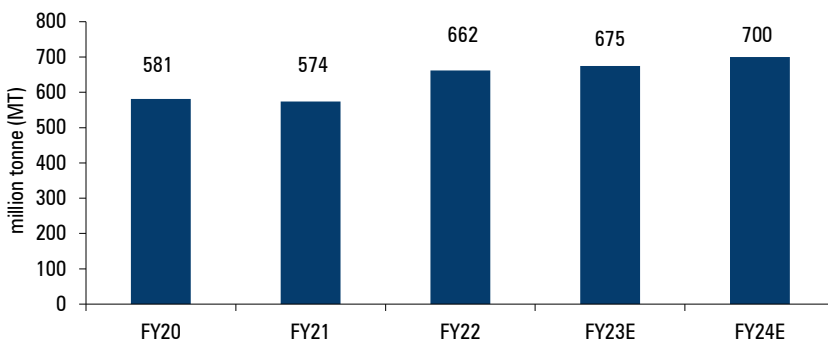
Exhibit 2: Trend in production



We model coal production of 685 MT for FY23E and 715 MT for FY24E

Source: Company, ICICI Direct Research

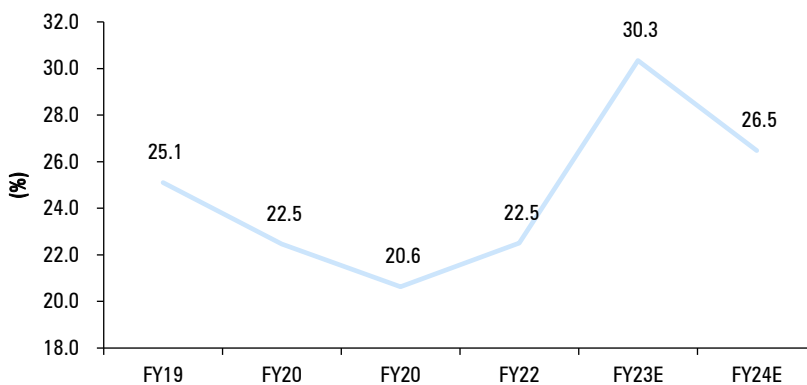
Exhibit 3: Trend in offtake



We model coal offtake of 675 MT for FY23E and 700 MT for FY24E

Source: Company, ICICI Direct Research

Exhibit 4: Trend in reported consolidated EBITDA margin (in %)



We expect Coal India to report consolidated EBITDA margin of 30.3% for FY23E and 26.5% for FY24E. We expect Coal India to report EBITDA/tonne of ₹ 545/tonne for FY23E and ₹ 464/tonne for FY24E (₹ 373/tonne for FY22)

Source: Company, ICICI Direct Research

Exhibit 5: Valuation

	Op. Inc.	Growth	EPS	Growth	PE	EV/EBITDA	RoNW	RoCE
	(₹ cr)	(%)	(₹)	(%)	(x)	(x)	(%)	(%)
FY20	96,080	-3.5	27.1	-4.4	8.1	5.3	51.9	54.6
FY21	90,026	-6.3	20.6	-23.9	#	6.5	34.8	42.3
FY22	1,09,714	21.9	28.2	36.8	7.8	4.3	40.3	52.0
FY23E	1,21,209	10.5	42.6	51.1	5.2	2.7	45.0	58.8
FY24E	1,22,607	1.2	37.0	-13.1	5.9	3.2	33.2	44.2

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	121209	122607
Growth (%)	-6.3	21.9	10.5	1.2
Raw Materials Consumed	5516	11854	9315	10125
Total Operating Expenditure	71453	85023	84431	90140
EBITDA	18574	24691	36778	32467
Growth (%)	-13.9	32.9	49.0	-11.7
Depreciation	3709	4429	4982	5655
Interest	645	541	555	569
Other Income	3792	3905	3859	4245
Exceptional Item	3	-9	0	0
PBT	18010	23616	35100	30488
Total Tax	5307	6238	8835	7674
PAT	12702	17378	26265	22814
Growth (%)	-23.9	36.8	51.1	-13.1
Adj EPS (₹)	20.6	28.2	42.6	37.0

Source: Company, ICICI Direct Research

Exhibit 7: Cash flow statement				
	₹ crore			
(Year-end March)	FY21	FY22	FY23E	FY24E
Profit after Tax	12702	17378	26265	22814
Add: Depreciation	3709	4429	4982	5655
Add: Interest	645	541	555	569
(Inc)/dec in Current Assets	-11265	4120	-2788	-4370
Inc/(dec) in CL and Prov.	7595	14171	158	78
CF from operating activities	13387	40639	29172	24746
(Inc)/dec in Investments	-3977	-3756	-25	-25
(Inc)/dec in Fixed Assets	-13115	-11108	-15000	-15000
Others	435	-279	-1000	-1000
CF from investing activities	-16658	-15144	-16025	-16025
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	-11093	-12325
Others	3188	-44	50	50
CF from financing activities	-7867	-13627	-11598	-12844
Net Cash flow	-11139	11869	1549	-4123
Opening Cash	28449	17310	29179	30728
Closing Cash	17310	29179	30728	26605

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	52153	62642
Total Shareholders funds	36517	43143	58315	68804
Total Debt	5875	3310	3310	3310
Minority Interest	441	674	724	774
Total Liabilities	42834	47126	62349	72888
Assets				
Gross Block	95796	104594	117594	130594
Less: Acc Depreciation	53305	57733	62716	68371
Net Block	42491	46861	54878	62224
CWIP	10404	12714	14714	16714
Investments	5950	9706	9731	9756
Inventory	8947	7076	8096	8644
Debtors	19623	11368	14636	14435
Loans and Advances	13658	14886	11886	14386
Other Current Assets	41051	45830	47330	48853
Cash	17310	29179	30728	26605
Total Current Assets	100590	108338	112676	112922
Current Liabilities	49301	61190	58848	56426
Provisions	69645	71927	74427	76927
Current Liabilities & Prov	118946	133117	133275	133353
Net Current Assets	-18356	-24778	-20599	-20430
Others	2345	2624	3624	4624
Application of Funds	42834	47126	62349	72888

Source: Company, ICICI Direct Research

Exhibit 9: Key ratios				
	₹ crore			
(Year-end March)	FY21	FY22	FY23E	FY24E
Per share data (₹)				
Adj EPS	20.6	28.2	42.6	37.0
Cash EPS	26.6	35.4	50.7	46.2
BV	59.3	70.0	94.6	111.6
DPS	16.0	17.0	20.0	20.0
Cash Per Share	28.1	47.3	49.9	43.2
Operating Ratios (%)				
EBITDA Margin	20.6	22.5	30.3	26.5
PBT / Total Operating income	20.0	21.5	29.0	24.9
PAT Margin	14.1	15.8	21.7	18.6
Inventory days	46	30	35	35
Debtor days	87	41	45	45
Creditor days	49	43	38	39
Return Ratios (%)				
Adj RoE	34.8	40.3	45.0	33.2
Adj RoCE	42.3	52.0	58.8	44.2
Valuation Ratios (x)				
P/E	10.7	7.8	5.2	5.9
EV / EBITDA	6.5	4.3	2.7	3.2
EV / Net Sales	1.3	1.0	0.8	0.9
Market Cap / Sales	1.5	1.2	1.1	1.1
Price to Book Value	3.7	3.1	2.3	2.0
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	0.8	0.8
Quick Ratio	0.8	0.8	0.8	0.8

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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