

CMP: ₹ 167

Target: ₹ 195 (17%)

Target Period: 12 months

BUY

February 18, 2022

Performs well...

About the stock: Coal India (CIL) is the world's largest pure play coal producer. In FY21, CIL produced 596 million tonnes (MT) while offtake for FY21 was at 574 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

Q3FY22 Results: CIL reported a healthy performance in Q3FY22, aided by better-than-expected e-auction sales volume and realisation.

- For Q3FY22, CIL reported sales volume of 174 MT, up 13% YoY & 18% QoQ. FSA sales volume for Q3FY22 were at 145 MT, marginally lower than our estimate of 150 MT. E-auction sales volume for Q3FY22 was at 26 MT, higher than our estimate of 21 MT. FSA realisations for Q3FY22 was at ₹ 1370/tonne (down 4% YoY & 1% QoQ). E-auction realisations for Q3FY22 were at ₹ 1947/tonne (up 20% YoY & 22% QoQ), higher than our estimate of ₹ 1725/tonne
- For Q3FY22, CIL's consolidated revenue from operations were at ₹ 28434 crore (up 20% YoY & 22% QoQ), higher than our estimate of ₹ 27765 crore. CIL's consolidated EBITDA for the quarter was at ₹ 6825 crore (up 32% YoY & 73% QoQ), higher than our estimate of ₹ 6090 crore. Consolidated EBITDA margin for Q2FY22 was at 24.0% compared to 21.8% in Q3FY21 and 16.9% in Q2FY22 (our estimate of 21.9%). EBITDA/tonne for Q3FY22 was at ₹ 393/tonne, higher than our estimate of ₹ 350/tonne (EBITDA/tonne of ₹ 335/tonne in Q3FY21 and ₹ 268/tonne in Q2FY22)
- Ensuing consolidated PAT for Q3FY22 was at ₹ 4557 crore (up 48% YoY & 55% QoQ), higher than our estimate of ₹ 4239 crore

What should investors do? CIL's share price has given a return of ~19% in the last 12 months (from ~₹ 140 in February 2021 to ~₹ 167 levels in February 2022).

- We revise our rating on the stock from HOLD to BUY

Target Price and Valuation: We value CIL at ₹ 195, 4.5x FY23E EV/EBITDA

Key triggers for future price performance:

- For FY22E, CIL has given a production target of 630 MT and offtake target of ~660 MT. For FY23E, CIL has given production and off take target of ~700 MT each
- We expect CIL's EBITDA margins to hover at ~22% in the next couple of years (21.7% for FY22E & 21.6% in FY23E). FY21 EBITDA margin was at 20.6%

Alternate Stock Idea: In our mining sector coverage, we also like NMDC.

- During FY21, NMDC's iron ore production volume was ~34 MT while sales volume for FY21 was at ~33 MT
- BUY with a target price of ₹ 190

Key Financial Summary

(₹ Crore)	FY18	FY19	FY20	FY21	CAGR (FY16-FY21)	FY22E	FY23E	CAGR (FY21-FY23E)
Total Operating Income	85,244	99,586	96,080	90,026	2.9%	1,07,025	1,14,681	12.9%
EBITDA	9,288	25,006	21,581	18,574	0.3%	23,222	24,761	15.5%
EBITDA Margin (%)	10.9	25.1	22.5	20.6		21.7	21.6	
PAT	7,038	17,464	16,700	12,702	NA	15,847	17,261	16.6%
EPS (₹)	11.3	28.3	27.1	20.6		25.7	28.0	
EV/EBITDA (x)	7.8	2.9	3.8	4.8		3.9	3.7	
RoCE (%)	40.8	86.3	54.6	42.3		46.5	44.3	
RoE (%)	34.9	66.0	51.9	34.8		37.3	35.5	

Source: Company, ICICI Direct Research



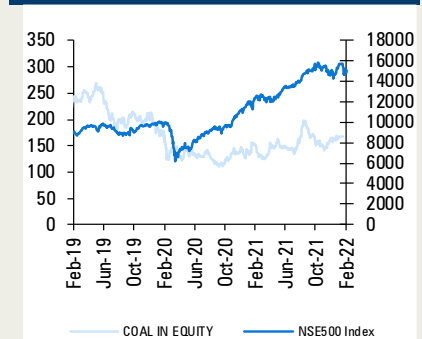
Particulars

Particular	Amount
Market Capitalization	₹ 103010 crore
Total Debt (FY21)	₹ 5875 crore
Cash and Bank Balance (FY21)	₹ 17310 crore
EV	₹ 91575 crore
52 week H/L	204 / 123
Equity capital	₹ 6162.7 crore
Face value	₹ 10

Shareholding pattern

(in %)	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21
Promoter	66.1	66.1	66.1	66.1	66.1
FIs	6.5	6.5	6.6	6.7	6.6
DIs	22.2	21.9	21.5	22.0	21.3
Others	5.2	5.5	5.8	5.1	6.0
Total	100	100	100	100	100

Price Chart



Key Risks

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

Research Analyst

Dewang Sanghavi
dewang.sanghavi@icicisecurities.com

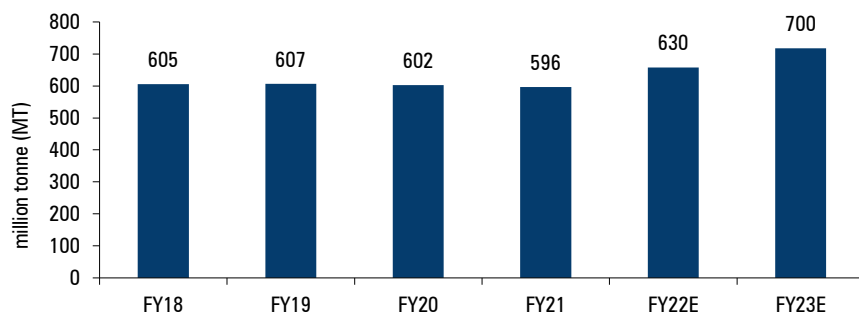
Exhibit 1: Variance Analysis

	Q3FY22	Q3FY22E	Q3FY21	YoY (%)	Q2FY22	QoQ (%)	Comments
Total Operating Income	28434	27765	23686	20	23291	22	Topline came in higher than our estimate
Other Income	653	725	649	1	782	-16	
Total Expenditure	21608	21675	18521	17	19349	12	
EBITDA	6825	6090	5165	32	3942	73	EBITDA came in higher than our estimate
EBITDA Margin (%)	24.0	21.9	21.8	220 bps	16.9	708 bps	
Depreciation	1041	1000	916	14	934	11	
Interest	132	150	155	-15	141	-7	
Share of JV	-3	0	0	NA	-5	-36	
PBT	6302	5665	4742	33	3643	73	
Total Tax	1746	1426	1658	5	711	146	
PAT	4557	4239	3084	48	2933	55	PAT came in higher than our estimate
Key Metrics							
Coal Sales (million tonne)	174	174	154	13	147	18	Sales volumes came in line with our estimate
FSA Volumes	145	150	125	16	118	23	FSA sales volume came in lower than our estimate
FSA Realisations	1370	1450	1425	-4	1382	-1	FSA realisations came in lower than our estimate
E-auction volumes	26	24	25	4	27	-4	E-auction sales volume came in higher than our estimate
E-auction realisations	1947	1725	1625	20	1593	22	E-auction realisations came in higher than our estimate
EBITDA/tonne	393	350	335	17	268	47	EBITDA/tonne came in higher than our estimate

Source: Company, ICICI Direct Research

Financial story in charts

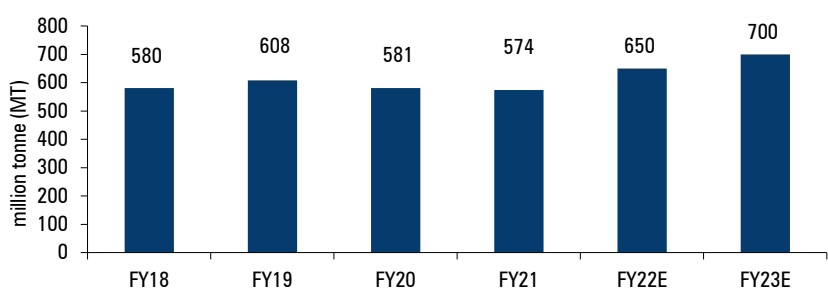
Exhibit 2: Trend in production



We model coal production of 630 MT for FY22E and 700 MT for FY23E

Source: Company, ICICI Direct Research

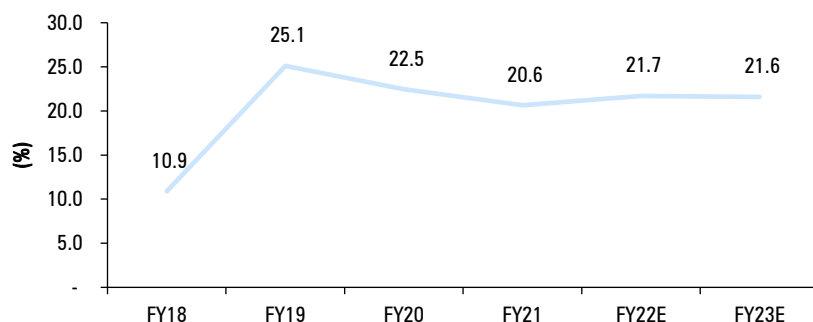
Exhibit 3: Trend in offtake



We model coal offtake of 650 MT for FY22E and 700 MT for FY23E

Source: Company, ICICI Direct Research

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



Over the next couple of years i.e. for FY22E and FY23E, we expect EBITDA margin to hover at ~22%.

Source: Company, ICICI Direct Research

Exhibit 5: Valuation

	Op. Inc.	Growth	EPS	Growth	PE	EV/EBITDA	RoNW	RoCE
	(₹ cr)	(%)	(₹)	(%)	(x)	(x)	(%)	(%)
FY18	85,244	9.0	11.3	-51.2	14.8	7.8	34.9	40.8
FY19	99,586	16.8	28.3	149.9	5.9	2.9	66.0	86.3
FY20	96,080	-3.5	27.1	-4.4	6.2	3.8	51.9	54.6
FY21	90,026	-6.3	20.6	-23.9	8.2	4.8	34.8	42.3
FY22E	1,07,025	18.9	25.7	24.8	6.5	3.9	37.3	46.5
FY23E	1,14,681	7.2	28.0	8.9	6.0	3.7	35.5	44.3

Source: Company, ICICI Direct Research

Financial summary

Exhibit 6: Profit and loss statement				
	₹ crore			
(Year-end March)	FY20	FY21	FY22E	FY23E
Total Operating Income	96080	90026	107025	114681
Growth (%)	-3.5	-6.3	18.9	7.2
Total Operating Expenditure	74499	71453	83803	89920
EBITDA	21581	18574	23222	24761
Growth (%)	-13.7	-13.9	25.0	6.6
Depreciation	3451	3709	3802	3897
Interest	503	645	484	363
Other Income	6445	3792	3508	3859
Exceptional Item	1	3	0	0
PBT	24071	18010	22445	24360
Total Tax	7371	5307	6598	7099
PAT	16700	12702	15847	17261
Growth (%)	-4.4	-23.9	24.8	8.9
Adj EPS (₹)	27.1	20.6	25.7	28.0

Source: Company, ICICI Direct Research

Exhibit 7: Cash flow statement				
	₹ crore			
(Year-end March)	FY20	FY21	FY22E	FY23E
Profit after Tax	16700	12702	15847	17261
Add: Depreciation	3451	3709	3802	3897
Add: Interest	503	645	484	363
(Inc)/dec in Current Assets	-19085	-11265	-1110	-2431
Inc/(dec) in CL and Prov.	7935	7595	4829	4565
CF from operating activities	9504	13387	23851	23654
(Inc)/dec in Investments	1197	-3977	0	3633
(Inc)/dec in Fixed Assets	-6287	-13115	-15000	-15000
Others	743	435	-1000	-1000
CF from investing activities	-4347	-16658	-16000	-12367
Issue/(Buy back) of Equity	0	0	0	0
Inc/(dec) in loan funds	4223	-551	551	0
Interest Paid	-503	-645	-484	-363
Dividend paid & dividend tax	-7972	-9860	-9860	-11093
Others	-3040	3188	50	50
CF from financing activities	-7292	-7867	-9743	-11405
Net Cash flow	-2136	-11139	-1892	-119
Opening Cash	30585	28449	17310	15418
Closing Cash	28449	17310	15418	15299

Source: Company, ICICI Direct Research

Exhibit 8: Balance sheet				
	₹ crore			
(Year-end March)	FY20	FY21	FY22E	FY23E
Liabilities				
Equity Share Capital	6163	6163	6163	6163
Reserve and Surplus	25994	30355	36341	42509
Total Shareholders funds	32157	36517	42504	48672
Total Debt	6426	5875	6426	6426
Minority Interest	394	441	491	541
Total Liabilities	38977	42834	49421	55639
Assets				
Net Block	36841	42491	51690	60793
CWIP	8271	10404	12404	14404
Investments	1973	5950	5950	2318
Inventory	6618	8947	9184	6898
Debtors	14408	19623	14997	13214
Loans and Advances	13434	13658	15658	18658
Other Current Assets	37554	41051	44551	48051
Cash	28449	17310	15418	15299
Total Current Assets	100463	100590	99808	102120
Current Liabilities	44346	49301	51631	53696
Provisions	67005	69645	72145	74645
Current Liabilities & Prov	111350	118946	123775	128341
Net Current Assets	-10887	-18356	-23967	-26220
Others	2779	2345	3345	4345
Application of Funds	38977	42834	49421	55639

Source: Company, ICICI Direct Research

Exhibit 9: Key ratios				
	₹ crore			
(Year-end March)	FY20	FY21	FY22E	FY23E
Per share data (₹)				
Adj EPS	27.1	20.6	25.7	28.0
Cash EPS	32.7	26.6	31.9	34.3
BV	52.2	59.3	69.0	79.0
DPS	12.0	16.0	16.0	18.0
Cash Per Share	46.2	28.1	25.0	24.8
Operating Ratios (%)				
EBITDA Margin	22.5	20.6	21.7	21.6
PBT / Total Operating income	25.1	20.0	21.0	21.2
PAT Margin	17.4	14.1	14.8	15.1
Inventory days	32	35	40	28
Debtor days	59	80	55	45
Creditor days	41	49	44	45
Return Ratios (%)				
Adj RoE	51.9	34.8	37.3	35.5
Adj RoCE	54.6	42.3	46.5	44.3
Valuation Ratios (x)				
P/E	6.2	8.2	6.5	6.0
EV / EBITDA	3.8	4.8	3.9	3.7
EV / Net Sales	0.8	1.0	0.8	0.8
Market Cap / Sales	1.1	1.2	1.0	0.9
Price to Book Value	3.2	2.8	2.4	2.1
Solvency Ratios				
Debt/EBITDA	0.3	0.3	0.3	0.3
Debt / Equity	0.2	0.2	0.2	0.1
Current Ratio	0.9	0.8	0.8	0.8
Quick Ratio	0.8	0.8	0.7	0.7

Source: Company, ICICI Direct Research

Exhibit 10: ICICI Direct coverage universe (Metals and Mining)

	CMP		TP	M Cap (₹ Cr)	EPS (₹)			P/E (x)			EV/EBITDA (x)			ROCE(%)			ROE(%)		
	(₹)	(₹)			Rating	FY21	FY22E	FY23E	FY21	FY22E	FY23E	FY21	FY22E	FY23E	FY21	FY22E	FY23E	FY21	FY22E
Coal India	168	195	Buy	103384	20.6	25.7	28.0	8.2	6.5	6.0	4.8	3.9	3.7	42.3	46.5	44.3	34.8	37.3	35.5
Hindalco	529	650	Buy	118909	25.5	62.8	60.4	21.3	8.6	9.0	9.6	5.3	5.2	8.8	17.3	15.0	8.5	18.7	15.5
NMDC	142	190	Buy	41512	21.3	34.2	20.9	7.5	4.6	7.6	4.9	3.2	5.1	27.0	34.6	19.0	21.0	28.3	15.9
JSW Steel	633	725	Hold	152732	32.9	93.6	70.9	20.3	7.1	9.4	10.6	5.7	6.3	13.8	21.2	14.6	17.0	32.7	19.9
Ratnamani	2176	2254	Hold	10168	59.0	69.3	90.2	36.4	31.0	23.9	23.9	18.6	14.7	15.7	18.4	19.8	13.9	14.5	16.3
Graphite Ind.	491	650	Buy	9586	-1.6	29.7	62.4	NA	17.3	8.2	NA	12.8	4.5	-5.4	10.0	22.6	-0.7	11.7	20.7
Jindal Stainless	196	250	Buy	9868	8.6	31.9	23.5	23.8	6.4	8.7	9.2	5.3	6.9	16.0	25.4	16.5	13.0	33.3	19.7
Jindal Stainless Hisar	372	488	Buy	8787	29.5	70.8	58.9	13.4	5.6	6.7	9.6	5.3	5.4	18.6	28.5	19.8	23.2	34.7	21.9
Vardhman Special Steel	246	300	Buy	998	10.9	23.0	25.6	23.6	11.2	10.1	11.3	6.4	6.1	13.7	22.0	20.9	9.6	17.2	16.3
Tata Metaliks	793	975	Hold	2505	69.9	74.3	80.1	12.4	11.7	10.8	6.6	6.5	5.7	24.6	21.6	19.5	17.0	15.6	14.4

Source: Company, ICICI Direct Research

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Buy: > 15%

Hold: -5% to 15%;

Reduce: -15% to -5%;

Sell: < -15%



Pankaj Pandey

Head – Research

pankaj.pandey@icicisecurities.com

**ICICI Direct Research Desk,
ICICI Securities Limited,
1st Floor, Akruti Trade Centre,
Road No 7, MIDC,
Andheri (East)
Mumbai – 400 093
research@icicidirect.com**

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