

Mixed bag performance...

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

Q3FY23 Results: Coal India (CIL) reported a mixed bag performance for Q3FY23.

- For Q3FY23, Coal India reported off take volume of 176 MT, up 1% YoY (our estimate of 176 MT). FSA sales volume for the quarter was at 158 MT, up 9% YoY (our estimate of 158 MT), while FSA realisation for the quarter was at ₹ 1482/tonne, up 8% YoY, 5% QoQ (higher our estimate of ₹ 1410/tonne). E-auction volume for the quarter was at 15 MT (our estimate of 15 MT) while E-auction realisation for the quarter was at ₹ 5046/tonne, up 159% YoY but down 17% QoQ (lower than our estimate of ₹ 5750/tonne)
- For Q3FY23, Coal India reported consolidated topline of ₹ 35169 crore, up 24% YoY (our estimate of ₹ 34403 crore). Consolidated EBITDA for the quarter was at ₹ 10389 crore (up 52% YoY, 43% QoQ), higher than our estimate of ₹ 9237 crore
- During the quarter, effective tax rate came in at 27%, higher than our estimate of 23% (21% in Q2FY23 and 28% in Q3FY22). Ensuing consolidated PAT for the quarter was at ₹ 7719 crore, up 69% YoY, 28% QoQ, broadly in line with our estimate of ₹ 7651 crore

What should investors do? Coal India's share price has given a return of ~36% over the last one year (from ~ ₹ 163 in February 2022 to ~ ₹ 221 in February 2023).

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

Target Price and Valuation: We value CIL at ₹ 250, 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% while consolidated EBITDA and consolidated PAT are expected to register a CAGR of 9% and 11%, respectively
- We expect CIL to report consolidated EBITDA margins of 30.6% for FY23E and 23.3% for FY24E (22.5% for FY22)

Alternate Stock Idea: In our metals and mining sector coverage, we like JSL.

- Jindal Stainless (JSL) operates an integrated stainless steel plant at Jajpur, Odisha
- BUY with a target price of ₹ 300



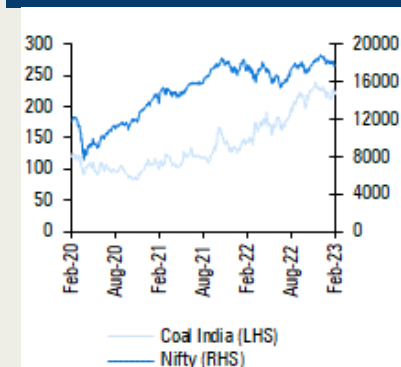
Particulars

| Particular | Amount |
|-----------------------------|----------------|
| Market Capitalization | ₹ 135765 crore |
| Total Debt (FY22) | ₹ 3310 crore |
| Cash and Bank Balance(FY22) | ₹ 29179 crore |
| EV | ₹ 109896 crore |
| 52 week H/L | 263 / 149 |
| 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 |
| FIs | 6.9 | 6.5 | 6.7 | 7.9 |
| DIs | 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

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

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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 | 1,25,017 | 6.7% |
| EBITDA | 25,006 | 21,581 | 18,574 | 24,691 | 15.1% | 41,651 | 29,137 | 8.6% |
| EBITDA Margin (%) | 25.1 | 22.5 | 20.6 | 22.5 | | 30.6 | 23.3 | |
| PAT | 17,464 | 16,700 | 12,702 | 17,378 | 3.8% | 30,933 | 21,558 | 11.4% |
| EPS (₹) | 28.3 | 27.1 | 20.6 | 28.2 | | 50.2 | 35.0 | |
| EV/EBITDA (x) | 4.2 | 5.3 | 6.5 | 4.3 | | 2.4 | 3.6 | |
| RoCE (%) | 86.3 | 54.6 | 42.3 | 52.0 | | 63.2 | 38.5 | |
| RoE (%) | 66.0 | 51.9 | 34.8 | 40.3 | | 50.1 | 30.4 | |

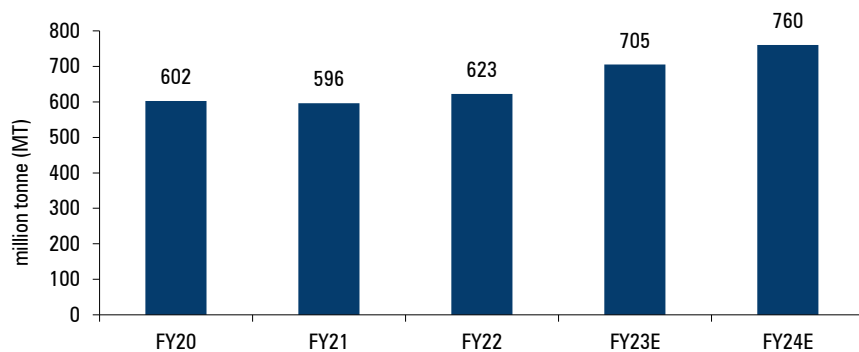
Exhibit 1: Variance Analysis

| | Q3FY23 | Q3FY23E | Q3FY22 | YoY (%) | Q2FY23 | QoQ (%) | Comments |
|-------------------------------|---------------|----------------|---------------|----------------|---------------|----------------|--|
| Total Operating Income | 35169 | 34403 | 28434 | 24 | 29838 | 18 | Consolidated topline came in broadly in line with our estimate |
| Other Income | 1585 | 1875 | 653 | 143 | 1761 | -10 | Consolidated other income came in lower than our estimate |
| Total Expenditure | 24781 | 20082 | 19349 | 28 | 22841 | 8 | |
| EBITDA | 10389 | 9237 | 6825 | 52 | 7280 | 43 | Consolidated EBITDA came in higher than our estimate |
| EBITDA Margin (%) | 29.5 | 26.8 | 24.0 | 550 Bps | 24.4 | 510 Bps | Consolidated EBITDA margin came in higher than our estimate |
| Depreciation | 1262 | 1095 | 1041 | 21 | 1077 | 17 | |
| Interest | 204 | 145 | 132 | 54 | 135 | 51 | |
| Share of JV | 86 | 0 | -3 | LP | -142 | LP | |
| PBT | 10594 | 9872 | 6302 | 68 | 7687 | 38 | |
| Total Tax | 2875 | 2221 | 1746 | 65 | 1643 | 75 | |
| PAT | 7719 | 7651 | 4557 | 69 | 6044 | 28 | Consolidated PAT came in higher than our estimate |
| Key Metrics | | | | | | | |
| Coal Sales (million tonne) | 176 | 176 | 174 | 1 | 155 | 14 | Coal sales volume came in line with our estimate |
| FSA Volumes | 158 | 158 | 145 | 9 | 142 | 11 | FSA sales volume came in line with our estimate |
| FSA Realisations | 1482 | 1410 | 1370 | 8 | 1414 | 5 | FSA realisations came in higher than our estimate |
| E-auction volumes | 15 | 15 | 26 | -44 | 10 | 41 | E-auction sales volume came in line with our estimate |
| E-auction realisations | 5046 | 5750 | 1947 | 159 | 6062 | -17 | E-auction realisations came in lower than our estimate |
| EBITDA/tonne | 591 | 525 | 393 | 50 | 471 | 25 | EBITDA/tonne came in higher than our estimate |

Source: Company, ICICI Direct Research

Financial story in charts

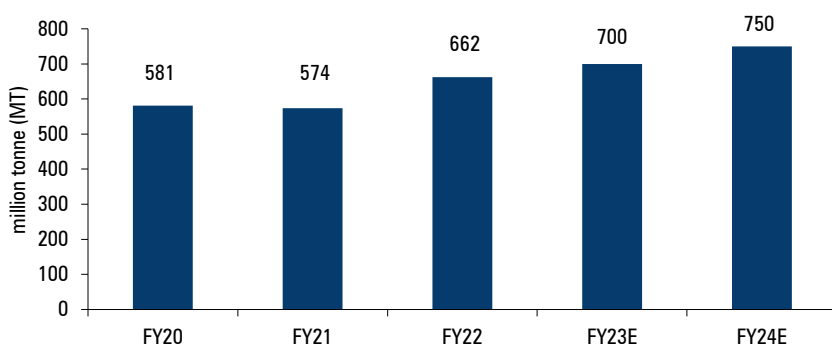
Exhibit 2: Trend in production



We model coal production of 705 MT for FY23E and 760 MT for FY24E

Source: Company, ICICI Direct Research

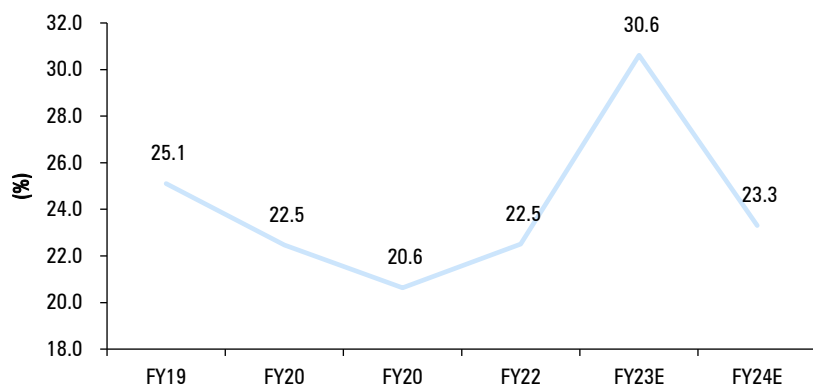
Exhibit 3: Trend in offtake



We model coal offtake of 700 MT for FY23E and 750 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 30.6% for FY23E and 23.3% for FY24E.

Source: Company, ICICI Direct Research

Exhibit 5: Valuation

| | Op. Inc. | Growth | EPS | Growth | PE | EV/EBITDA | RoNW | RoCE |
|-------|----------|--------|------|--------|------|-----------|------|------|
| | (₹ cr) | (%) | (₹) | (%) | (x) | (x) | (%) | (%) |
| FY19 | 99,586 | 16.8 | 28.3 | 149.9 | 7.8 | 4.2 | 66.0 | 86.3 |
| 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 | 10.7 | 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 | 1,36,051 | 24.0 | 50.2 | 78.0 | 4.4 | 2.4 | 50.1 | 63.2 |
| FY24E | 1,25,017 | -8.1 | 35.0 | -30.3 | 6.3 | 3.6 | 30.4 | 38.5 |

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 | 125017 | |
| Growth (%) | -6.3 | 21.9 | 24.0 | -8.1 | |
| Total Operating Expenditure | 71453 | 85023 | 94400 | 95880 | |
| EBITDA | 18574 | 24691 | 41651 | 29137 | |
| Growth (%) | -13.9 | 32.9 | 68.7 | -30.0 | |
| 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 | 28809 | |
| Total Tax | 5307 | 6238 | 10405 | 7251 | |
| PAT | 12702 | 17378 | 30933 | 21558 | |
| Growth (%) | -23.9 | 36.8 | 78.0 | -30.3 | |
| EPS (₹) | 20.6 | 28.2 | 50.2 | 35.0 | |

Source: Company, ICICI Direct Research

| Exhibit 7: Cash flow statement | | ₹ crore | | | |
|-------------------------------------|---------------|---------------|---------------|---------------|--|
| (Year-end March) | FY21 | FY22 | FY23E | FY24E | |
| Profit after Tax | 12702 | 17378 | 30933 | 21558 | |
| Add: Depreciation | 3709 | 4429 | 4421 | 4642 | |
| Add: Interest | 645 | 541 | 555 | 569 | |
| (Inc)/dec in Current Assets | -11265 | 4120 | -2451 | -2604 | |
| Inc/(dec) in CL and Prov. | 7595 | 14171 | 158 | 78 | |
| CF from operating activities | 13387 | 40639 | 33615 | 24242 | |
| (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 | 3259 | -6127 | |
| Opening Cash | 28449 | 17310 | 29179 | 32438 | |
| Closing Cash | 17310 | 29179 | 32438 | 26311 | |

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 | 64820 | |
| Total Shareholders funds | 36517 | 43143 | 61750 | 70983 | |
| Total Debt | 5875 | 3310 | 3310 | 3310 | |
| Minority Interest | 441 | 674 | 724 | 774 | |
| Total Liabilities | 42834 | 47126 | 65784 | 75066 | |
| 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 | 7759 | 7881 | |
| Debtors | 19623 | 11368 | 14636 | 13095 | |
| Loans and Advances | 13658 | 14886 | 11886 | 14386 | |
| Other Current Assets | 41051 | 45830 | 47330 | 48853 | |
| Cash | 17310 | 29179 | 32438 | 26311 | |
| Total Current Assets | 100590 | 108338 | 114049 | 110526 | |
| Current Liabilities | 49301 | 61190 | 58848 | 56426 | |
| Provisions | 69645 | 71927 | 74427 | 76927 | |
| Current Liabilities & Prov | 118946 | 133117 | 133275 | 133353 | |
| Net Current Assets | -18356 | -24778 | -19226 | -22827 | |
| Others | 2345 | 2624 | 3624 | 4624 | |
| Application of Funds | 42834 | 47126 | 65784 | 75066 | |

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 | 35.0 | |
| Cash EPS | 26.6 | 35.4 | 57.4 | 42.5 | |
| BV | 59.3 | 70.0 | 100.2 | 115.2 | |
| DPS | 16.0 | 17.0 | 22.5 | 22.5 | |
| Cash Per Share | 28.1 | 47.3 | 52.6 | 42.7 | |
| Operating Ratios (%) | | | | | |
| EBITDA Margin | 20.6 | 22.5 | 30.6 | 23.3 | |
| PBT / Total Operating income | 20.0 | 21.5 | 30.4 | 23.0 | |
| PAT Margin | 14.1 | 15.8 | 22.7 | 17.2 | |
| Inventory days | 46 | 30 | 30 | 30 | |
| Debtor days | 87 | 41 | 40 | 40 | |
| Creditor days | 49 | 43 | 34 | 38 | |
| Return Ratios (%) | | | | | |
| Adj RoE | 34.8 | 40.3 | 50.1 | 30.4 | |
| Adj RoCE | 42.3 | 52.0 | 63.2 | 38.5 | |
| Valuation Ratios (x) | | | | | |
| P/E | 10.7 | 7.8 | 4.4 | 6.3 | |
| EV / EBITDA | 6.5 | 4.3 | 2.4 | 3.6 | |
| EV / Net Sales | 1.3 | 1.0 | 0.7 | 0.8 | |
| 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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Hold: -5% to 15%;

Reduce: -15% to -5%;

Sell: < -15%



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