

Performs 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 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

Q4FY22 Results: CIL reported a healthy operational performance in Q4FY22.

- For Q4FY22, Coal India reported off take volume of 180 million tonnes (MT), up 9% YoY, 4% YoY (our estimate of 180 MT). FSA sales volume for the quarter were at 150 MT, up 13% YoY, 3% QoQ (our estimate of 150 MT), while FSA realisation for the quarter were at ₹ 1474/tonne, up 6% YoY, 8% QoQ (higher than our estimate of ₹ 1400/tonne). E-auction volume for the quarter was at 28 MT, up 6% QoQ but down 5% YoY (our estimate of 27 MT), while e-auction realisation for the quarter was at ₹ 2434/tonne, up 39% YoY and 25% QoQ (our estimate of ₹ 2400/tonne)
- For Q4FY22, Coal India reported consolidated topline of ₹ 32707 crore, up 22% YoY, 15% QoQ (higher than our estimate of ₹ 31080 crore). Consolidated EBITDA for the quarter was at ₹ 9079 crore (up 41% YoY, 33% QoQ), higher than our estimate of ₹ 8555 crore. Consolidated EBITDA margin for the quarter was at 27.8% compared to 24.1% in Q4FY21 and 24% in Q3FY22 (our estimate of 27.5%). EBITDA/tonne for the quarter was at ₹ 504/tonne compared to ₹ 390/tonne in Q4FY21 and ₹ 393/tonne in Q3FY22 (our estimate of ₹ 475/tonne). Consolidated other income for the quarter was at ₹ 1789 crore up 46% YoY, 174% QoQ, higher than our estimate of ₹ 675 crore. Ensuing consolidated PAT for the quarter was at ₹ 6715 crore, up 46% YoY, 47% QoQ (our estimate of ₹ 6020 crore)

What should investors do? CIL's share price has given a return of ~26% in the last 12 months (from ~₹ 148 in May 2021 to ~₹ 187 levels in May 2022).

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

Target Price and Valuation: We value CIL at ₹ 225, 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 3.2% while consolidated EBITDA and consolidated PAT are expected to register a CAGR of 6.3% and 5.6%, respectively
- We expect CIL's consolidated EBITDA margins to hover at ~24% for next couple of years (24.0% for FY23E & 23.9% in FY24E).

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

- Ratnamani Metals and Tubes (RMTL) is a niche player with superior capabilities in the industrial pipes and tubes segment
- BUY with a target price of ₹ 2950

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%	1,11,031	1,16,822	3.2%
EBITDA	25,006	21,581	18,574	24,691	15.1%	26,600	27,882	6.3%
EBITDA Margin (%)	25.1	22.5	20.6	22.5		24.0	23.9	
PAT	17,464	16,700	12,702	17,378	3.8%	18,649	19,383	5.6%
EPS (₹)	28.3	27.1	20.6	28.2		30.3	31.5	
EV/EBITDA (x)	3.3	4.3	5.4	3.5		3.4	3.5	
RoCE (%)	86.3	54.6	42.3	52.0		48.2	44.7	
RoE (%)	66.0	51.9	34.8	40.3		36.8	33.6	

Source: Company, ICICI Direct Research



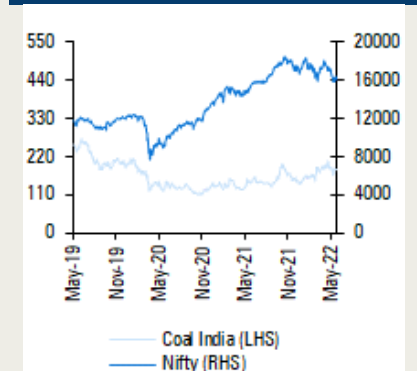
Particulars

Particular	Amount
Market Capitalization	₹ 114935 crore
Total Debt (FY22)	₹ 3310 crore
Cash and Bank Balance(FY22)	₹ 29179 crore
EV	₹ 89066 crore
52 week H/L	209 / 133
Equity capital	₹ 6162.7 crore
Face value	₹ 10

Shareholding pattern

(in %)	Jun-21	Sep-21	Dec-21	Mar-22
Promoter	66.1	66.1	66.1	66.1
FIs	6.6	6.7	6.6	6.9
DIs	21.5	22.0	21.3	21.8
Public	5.8	5.1	6.0	5.2
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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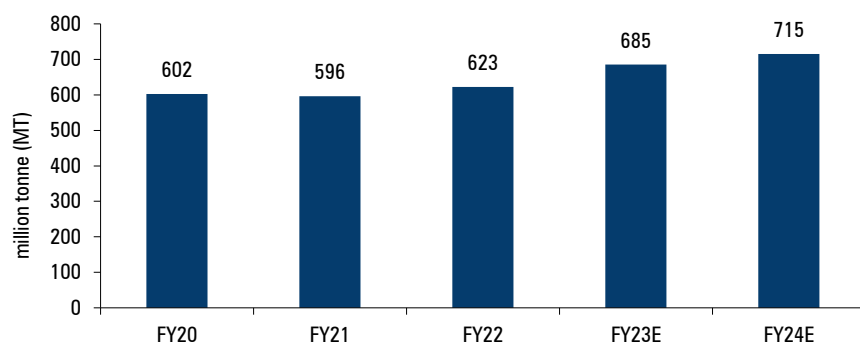
Exhibit 1: Variance Analysis

	Q4FY22	Q4FY22E	Q4FY21	YoY (%)	Q3FY22	QoQ (%)	Comments
Total Operating Income	32707	31080	26700	22	28434	15	Consolidated topline came in higher than our estimate
Other Income	1789	675	1224	46	653	174	Consolidated Other income came in higher than our estimate
Total Expenditure	23628	22525	20262	17	21608	9	
EBITDA	9079	8555	6438	41	6825	33	Consolidated EBITDA came in higher than our estimate
EBITDA Margin (%)	27.8	27.5	24.1	365 bps	19.2	860 bps	Consolidated EBITDA margin came in broadly in line with our estimate
Depreciation	1412	1050	1097	29	1041	36	
Interest	121	135	157	-23	132	-8	
Share of JV	1	0	-3	NA	-3	NA	
PBT	9335	8045	6406	46	6302	48	
Total Tax	2620	2025	1817	44	1746	50	
PAT	6715	6020	4589	46	4557	47	Consolidated PAT came in higher than our estimate
Key Metrics							
Coal Sales (million tonne)	180	180	165	9	174	4	Total off take came in line with our estimate
FSA Volumes	150	150	133	13	145	3	FSA volume came in line with our estimate
FSA Realisations	1474	1400	1392	6	1370	8	FSA realisations came in line with our estimate
E-auction volumes	28	27	29	-5	26	6	E-auction came in broadly in line with our estimate
E-auction realisations	2434	2400	1752	39	1947	25	E-auction realisation came in broadly in line with our estimate
EBITDA/tonne	504	475	390	29	393	28	EBITDA/tonne came in higher than our estimate

Source: Company, ICICI Direct Research

Financial story in charts

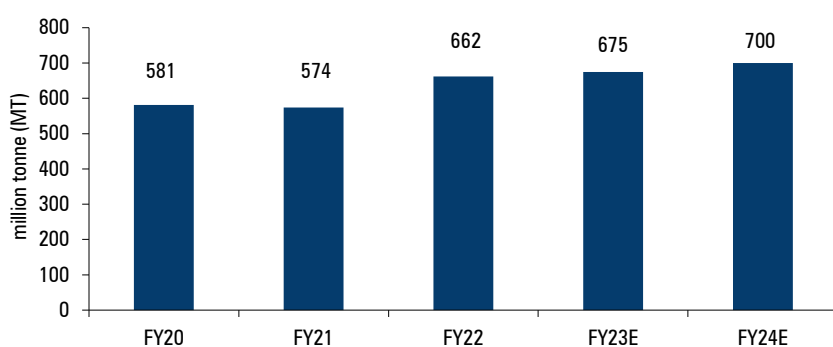
Exhibit 2: Trend in production



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

Source: Company, ICICI Direct Research

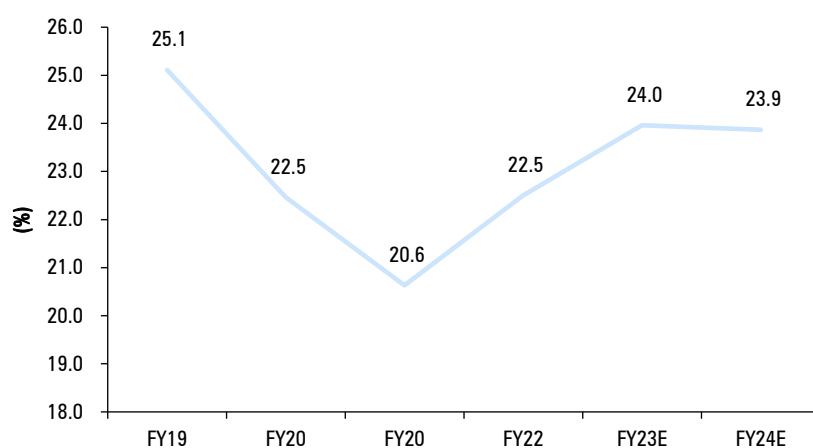
Exhibit 3: Trend in offtake



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 %)



Over the next couple of years i.e. for FY23E and FY24E, we expect EBITDA margin to hover at ~24%.

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	6.9	4.3	51.9	54.6
FY21	90,026	-6.3	20.6	-23.9	9.1	5.4	34.8	42.3
FY22	1,09,714	21.9	28.2	36.8	6.6	3.5	40.3	52.0
FY23E	1,11,031	1.2	30.3	7.3	6.2	3.4	36.8	48.2
FY24E	1,16,822	5.2	31.5	3.9	5.9	3.5	33.6	44.7

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	111031	116822
Growth (%)	-6.3	21.9	1.2	5.2
Total Operating Expenditure	71453	85023	84431	88940
EBITDA	18574	24691	26600	27882
Growth (%)	-13.9	32.9	7.7	4.8
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	24921	25902
Total Tax	5307	6238	6273	6520
PAT	12702	17378	18649	19383
Growth (%)	-23.9	36.8	7.3	3.9
Adj EPS (₹)	20.6	28.2	30.3	31.5

Source: Company, ICICI Direct Research

Exhibit 7: Cash flow statement				
	₹ crore			
(Year-end March)	FY21	FY22	FY23E	FY24E
Profit after Tax	12702	17378	18649	19383
Add: Depreciation	3709	4429	4982	5655
Add: Interest	645	541	555	569
(Inc)/dec in Current Assets	-11265	4120	-1533	-4796
Inc/(dec) in CL and Prov.	7595	14171	158	78
CF from operating activities	13387	40639	22811	20888
(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	-4812	-7981
Opening Cash	28449	17310	29179	24366
Closing Cash	17310	29179	24366	16385

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	44536	51594
Total Shareholders funds	36517	43143	50699	57756
Total Debt	5875	3310	3310	3310
Minority Interest	441	674	724	774
Total Liabilities	42834	47126	54732	61840
Assets				
Net Block	42491	46861	54878	62224
CWIP	10404	12714	14714	16714
Investments	5950	9706	9731	9756
Inventory	8947	7076	8096	8528
Debtors	19623	11368	13381	13722
Loans and Advances	13658	14886	11886	14386
Other Current Assets	41051	45830	47330	48853
Cash	17310	29179	24366	16385
Total Current Assets	100590	108338	105059	101874
Current Liabilities	49301	61190	58848	56426
Provisions	69645	71927	74427	76927
Current Liabilities & Prov	118946	133117	133275	133353
Net Current Assets	-18356	-24778	-28215	-31478
Others	2345	2624	3624	4624
Application of Funds	42834	47126	54732	61840

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	30.3	31.5
Cash EPS	26.6	35.4	38.3	40.6
BV	59.3	70.0	82.3	93.7
DPS	16.0	17.0	18.0	20.0
Cash Per Share	28.1	47.3	39.5	26.6
Operating Ratios (%)				
EBITDA Margin	20.6	22.5	24.0	23.9
PBT / Total Operating income	20.0	21.5	22.4	22.2
PAT Margin	14.1	15.8	16.8	16.6
Inventory days	46	30	35	35
Debtor days	87	41	45	45
Creditor days	49	43	42	41
Return Ratios (%)				
Adj RoE	34.8	40.3	36.8	33.6
Adj RoCE	42.3	52.0	48.2	44.7
Valuation Ratios (x)				
P/E	9.1	6.6	6.2	5.9
EV / EBITDA	5.4	3.5	3.4	3.5
EV / Net Sales	1.1	0.8	0.8	0.8
Market Cap / Sales	1.3	1.1	1.0	1.0
Price to Book Value	3.2	2.7	2.3	2.0
Solvency Ratios				
Debt/EBITDA	0.3	0.1	0.1	0.1
Debt / Equity	0.2	0.1	0.1	0.1
Current Ratio	0.8	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	Rating	M Cap (₹ Cr)	EPS (₹)			P/E (x)			EV/EBITDA (x)			ROCE(%)			ROE(%)		
	(₹)	(₹)				FY21	FY22	FY23E	FY21	FY22	FY23E	FY21	FY22	FY23E	FY21	FY22	FY23E	FY21	FY22	FY23E
Coal India	187	225	Buy	115335	20.6	28.2	30.3	9.1	6.6	6.2	5.4	3.5	3.4	42.3	52.0	48.2	34.8	40.3	36.8	
JSW Steel	549	575	Hold	132621	32.7	87.3	48.0	16.8	6.3	11.4	9.2	4.8	6.9	13.9	23.2	12.0	17.2	31.6	14.8	
Ratnamani	2557	2950	Buy	11950	59.0	69.0	91.6	43.3	37.1	27.9	28.3	23.9	18.3	15.7	17.3	19.6	13.9	14.3	16.4	
Graphite Ind.	439	475	Hold	8585	-1.6	25.8	35.3	NA	17.0	12.5	NA	12.5	8.5	-5.4	7.8	10.7	-0.7	10.2	12.7	
Sail	74	80	Hold	30645	9.2	29.9	2.9	8.1	2.5	25.8	5.1	2.0	6.9	10.9	26.1	3.3	8.9	23.1	2.2	
Jindal Stainless Jindal	118	225	Buy	5943	8.6	36.3	23.7	19.3	4.6	7.0	7.8	3.9	5.3	16.0	31.3	19.0	13.0	36.5	20.1	
Jindal Stainless Hisar	237	439	Buy	5599	29.5	82.5	55.8	8.0	2.9	4.2	8.2	4.4	5.5	18.6	28.1	17.7	23.2	39.4	21.8	
Vardhman Special Steel	222	300	Buy	902	10.9	24.8	27.6	20.3	8.9	8.0	11.1	6.7	6.6	13.2	24.5	20.1	9.6	18.2	17.2	
Tata Metaliks	711	900	Hold	2246	69.9	75.4	76.5	10.2	9.4	9.3	6.0	6.0	5.9	24.6	20.7	18.2	17.0	15.6	13.9	

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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