

May 9, 2023

## Steady performance, after adjusting for one-off in employee costs...

**About the stock:** Coal India (CIL) is one of the largest coal producers in the world. In FY23, CIL produced 703 million tonnes (MT) while offtake for FY23 was at 695 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

**Q4FY23 Results:** CIL reported a steady operational performance, post adjusting for the one off in employee costs.

- For Q4FY23, CIL reported offtake volume of 187 million tonnes (MT), up 4% YoY (our estimate of 187 MT). FSA sales volume was at 167 MT, up 12% YoY (our estimate of 165 MT), while FSA realisation was at ₹ 1550/tonne, up 5% YoY (our estimate of ₹ 1485/tonne). E-auction volume was at 16 MT (our estimate of 20 MT) while E-auction realisation for the quarter was at ₹ 4526/tonne (our estimate of ₹ 4250/tonne)
- For Q4FY23, CIL reported a consolidated topline of ₹ 38152 crore, up 17% YoY and 8% QoQ (our estimate of ₹ 38635 crore)
- Consolidated reported EBITDA was at ₹ 6898 crore. During the quarter, employee benefit expense was at ₹ 16983 crore, up 60% YoY, 47% QoQ. Employee cost for the quarter included ₹ 5870 crore on account of provisioning towards wage revision of CIL's non-executive manpower. After adjusting for the one-off in employee benefit expense, consolidated adjusted EBITDA was at ₹ 12768 crore (our estimate of ₹ 10625 crore). The ensuing consolidated reported PAT was at ₹ 5528 crore

**What should investors do?** Coal India's share price has given a return of ~42% over the last one year (from ~ ₹ 166 in May 2022 to ~₹ 236 in May 2023).

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

**Target Price and Valuation:** We value CIL at ₹ 275, 4.5x FY25E EV/EBITDA.

### Key triggers for future price performance:

- Going forward, for CIL, we assume coal sales volume of 750 million tonnes (MT) for FY24E and 800 MT in FY25E
- We expect CIL to report consolidated EBITDA margins of 23.0% for FY24E and 22.8% for FY25E

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

- Incorporated in 1958, NMDC is India's largest merchant iron ore miner
- BUY with a target price of ₹ 140

### Key Financial Summary

(₹ Crore)	FY20	FY21	FY22	FY23	CAGR in % (FY18-FY23)	FY24E	FY25E	CAGR (FY23-FY25E)
Total Operating Income	96,080	90,026	1,09,714	1,38,252	9.5%	1,34,033	1,40,230	0.7%
EBITDA	21,581	18,574	24,691	36,818	31.7%	30,827	31,902	-6.9%
EBITDA Margin (%)	22.5	20.6	22.5	26.6		23.0	22.8	
PAT	16,700	12,702	17,378	28,125	31.9%	23,610	24,054	-7.5%
EPS (₹)	27.1	20.6	28.2	45.6		38.3	39.0	
EV/EBITDA (x)	5.8	7.1	4.7	2.8		3.6	3.6	
RoCE (%)	54.6	42.3	52.0	58.9		43.4	40.0	
RoE (%)	51.9	34.8	40.3	49.1		36.1	32.5	

Source: Company, ICICI Direct Research



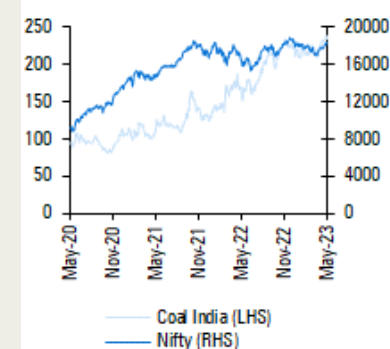
### Particulars

Particular	Amount
Market Capitalization	₹ 145810 crore
Total Debt (FY22)	₹ 4115 crore
Cash and Bank Balance(FY22)	₹ 39922 crore
EV	₹ 110003 crore
52 week H/L	263 / 165
Equity capital	₹ 6162.7 crore
Face value	₹ 10

### Shareholding pattern

(in %)	Jun-22	Sep-22	Dec-22	Mar-23
Promoter	66.1	66.1	66.1	66.1
FIs	6.5	6.7	7.9	7.8
DIs	22.5	22.5	21.2	21.1
Public	4.8	4.6	4.8	5.0
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>

### Price Chart



### Key Risks

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

### Research Analyst

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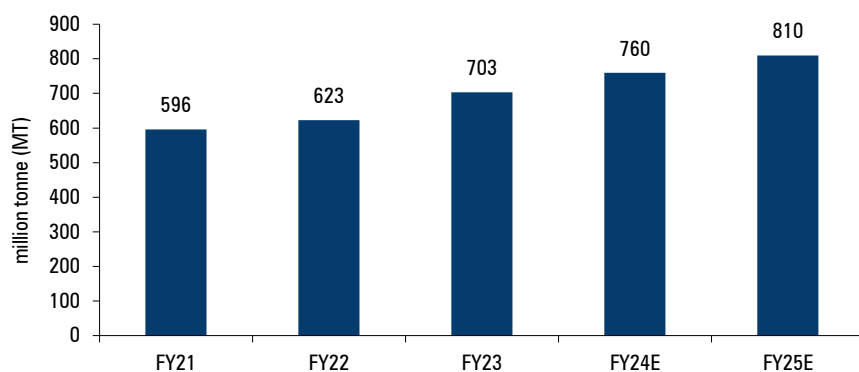
Exhibit 1: Variance Analysis

	Q4FY23	Q4FY23E	Q4FY22	YoY (%)	Q3FY23	QoQ (%)	Comments
<b>Total Operating Income</b>	<b>38152</b>	<b>38635</b>	<b>32709</b>	<b>17</b>	<b>35169</b>	<b>8</b>	For Q4FY23, consolidated topline came in higher than our estimate
Other Income	2210	1725	1766	25	1585	39	
<b>Total Expenditure</b>	<b>31254</b>	<b>28010</b>	<b>23607</b>	<b>32</b>	<b>24781</b>	<b>26</b>	
Reported EBITDA	6898	10625	9102	-24	10389	-34	
Reported EBITDA Margin (%)	18.1	27.5	27.8	(970) bps	29.5	(1140) bps	
Adjusted EBITDA	12768	10625	9102	40	10389	23	Consolidated reported EBITDA was at ₹ 6898 crore. During the quarter, employee benefit expense was at ₹ 16983 crore, up 60% YoY and 47% QoQ. Employee cost for the quarter included ₹ 5870 crore on account of provisioning towards wage revision of Coal India's non-executive manpower. After adjusting for the one -off in employee benefit expense, consolidated adjusted EBITDA was at ₹ 12768 crore (our estimate of ₹ 10625 crore)
Depreciation	1342	1450	1412	-5	1262	6	
Interest	195	225	121	61	204	-4	
Share of JV	72	75	1	9329	86	-17	
<b>Reported PBT</b>	<b>7642</b>	<b>10750</b>	<b>9335</b>	<b>-18</b>	<b>10594</b>	<b>-28</b>	
Total Tax	2115	2688	2620	-19	2875	-26	
<b>Reported PAT</b>	<b>5528</b>	<b>8062</b>	<b>6715</b>	<b>-18</b>	<b>7719</b>	<b>-28</b>	
<b>Key Metrics</b>							
Coal Sales (million tonne)	187	187	180	4	176	7	
FSA Volumes	167	165	150	12	158	6	
FSA Realisations	1550	1485	1474	5	1482	5	FSA realisations came in higher than our estimate
E-auction volumes	16	20	28	-41	15	12	
E-auction realisations	4526	4250	2434	86	5046	-10	E-auction realisation came in higher than our estimate

Source: Company, ICICI Direct Research

## Financial story in charts

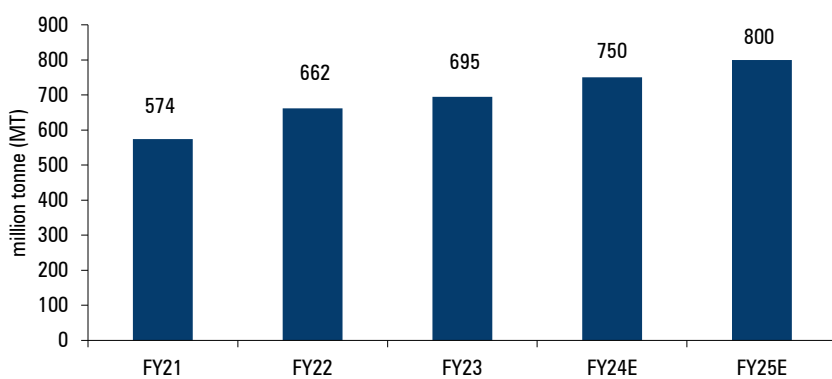
Exhibit 2: Trend in production



We model coal production of 760 MT for FY24E and 810 MT for FY25E

Source: Company, ICICI Direct Research

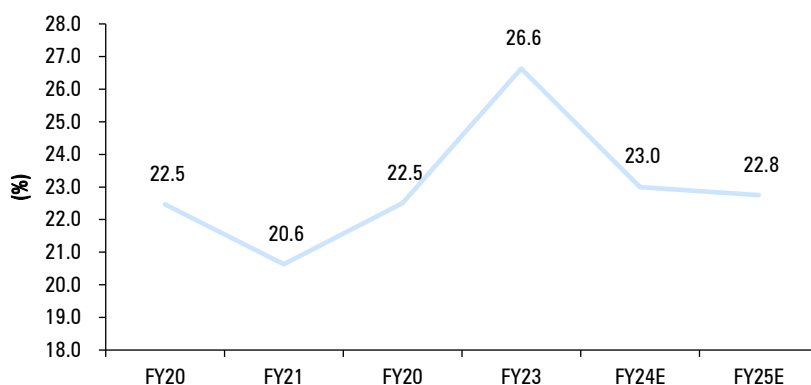
Exhibit 3: Trend in offtake



We model coal offtake of 750 MT for FY24E and 800 MT for FY25E

Source: Company, ICICI Direct Research

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



We expect Coal India to report consolidated EBITDA margin of 23.0% for FY24E and 22.8% for FY25E

Source: Company, ICICI Direct Research

Exhibit 5: Valuation

	Op. Inc.	Growth	EPS	Growth	PE	EV/EBITDA	RoNW	RoCE
	(₹ cr)	(%)	(₹)	(%)	(x)	(x)	(%)	(%)
FY21	90,026	-6.3	20.6	-23.9	11.5	7.1	34.8	42.3
FY22	1,09,714	21.9	28.2	36.8	8.4	4.7	40.3	52.0
FY23E	1,38,252	26.0	45.6	61.8	5.2	2.8	49.1	58.9
FY24E	1,34,033	-3.1	38.3	-16.1	6.2	3.6	36.1	43.4
FY25E	1,40,230	4.6	39.0	1.9	6.1	3.6	32.5	40.0

Source: Company, ICICI Direct Research

## Financial summary (Consolidated)

Exhibit 6: Profit and loss statement				
	₹ crore			
(Year-end March)	FY22	FY23	FY24E	FY25E
<b>Total Operating Income</b>	<b>109714</b>	<b>138252</b>	<b>134033</b>	<b>140230</b>
Growth (%)	21.9	26.0	-3.1	4.6
Total Operating Expenditure	85023	101434	103205	108328
<b>EBITDA</b>	<b>24691</b>	<b>36818</b>	<b>30827</b>	<b>31902</b>
Growth (%)	32.9	49.1	-16.3	3.5
Depreciation	4429	4675	5260	5891
Interest	541	684	698	715
Other Income	3905	6551	6682	6849
Share of JV profit / (loss)	-9	-8	0	0
<b>PBT</b>	<b>23616</b>	<b>38001</b>	<b>31551</b>	<b>32145</b>
Total Tax	6238	9876	7942	8091
<b>PAT</b>	<b>17378</b>	<b>28125</b>	<b>23610</b>	<b>24054</b>
Growth (%)	36.8	61.8	-16.1	1.9
<b>EPS (₹)</b>	<b>28.2</b>	<b>45.6</b>	<b>38.3</b>	<b>39.0</b>

Source: Company, ICICI Direct Research

Exhibit 7: Cash flow statement				
	₹ crore			
(Year-end March)	FY22	FY23	FY24E	FY25E
<b>Profit after Tax</b>	<b>17378</b>	<b>28125</b>	<b>23610</b>	<b>24054</b>
Add: Depreciation	4429	4675	5260	5891
Add: Interest	541	684	698	715
(Inc)/dec in Current Assets	3848	-12785	2208	1247
Inc/(dec) in CL and Prov.	14171	15965	-5833	1805
<b>CF from operating activities</b>	<b>40368</b>	<b>36665</b>	<b>25943</b>	<b>33712</b>
(Inc)/dec in Investments	-2970	1781	-25	75
(Inc)/dec in Fixed Assets	-15401	-14684	-16500	-21000
Others	0	0	0	0
<b>CF from investing activities</b>	<b>-18371</b>	<b>-12903</b>	<b>-16525</b>	<b>-20925</b>
Issue/(Buy back) of Equity	0	0	0	0
Inc/(dec) in loan funds	-2573	805	-125	-120
Interest Paid	-541	-684	-698	-715
Dividend paid & dividend tax	-10477	-14945	-15407	-15407
Others	4250	1018	50	75
<b>CF from financing activities</b>	<b>-9342</b>	<b>-13806</b>	<b>-16180</b>	<b>-16167</b>
Net Cash flow	12655	9957	-6762	-3380
Opening Cash	17310	29965	39922	33159
<b>Closing Cash</b>	<b>29965</b>	<b>39922</b>	<b>33159</b>	<b>29779</b>

Source: Company, ICICI Direct Research

Exhibit 8: Balance sheet				
	₹ crore			
(Year-end March)	FY22	FY23	FY24E	FY25E
<b>Liabilities</b>				
Equity Share Capital	6163	6163	6163	6163
Reserve and Surplus	36980	51082	59285	67933
Total Shareholders funds	43143	57245	65448	74095
Total Debt	3310	4115	3990	3870
Minority Interest	674	771	821	896
<b>Total Liabilities</b>	<b>47127</b>	<b>62130</b>	<b>70258</b>	<b>78860</b>
<b>Assets</b>				
Gross Block	104594	116729	131229	146729
Less: Acc Depreciation	57733	62409	67668	73559
Net Block	46861	54320	63561	73170
CWIP	12714	15263	17263	22763
Investments	8921	7139	7164	7089
Inventory	7076	8155	7917	8013
Debtors	11368	13060	12590	13172
Loans and Advances	25391	30456	29206	27456
Other Current Assets	37944	42892	42642	42467
Cash	29965	39922	33159	29779
Total Current Assets	111743	134484	125514	120887
Current Liabilities	60943	65285	61202	64032
Provisions	72168	83791	82041	81016
Current Liabilities & Prov	133111	149076	143243	145048
Net Current Assets	-21369	-14592	-17729	-24161
Others	0	0	0	0
<b>Application of Funds</b>	<b>47127</b>	<b>62130</b>	<b>70258</b>	<b>78860</b>

Source: Company, ICICI Direct Research

Exhibit 9: Key ratios				
	₹ crore			
(Year-end March)	FY22	FY23	FY24E	FY25E
<b>Per share data (₹)</b>				
EPS	28.2	45.6	38.3	39.0
Cash EPS	35.4	53.2	46.8	48.6
BV	70.0	92.9	106.2	120.2
DPS	17.0	24.2	25.0	25.0
Cash Per Share	48.6	64.8	53.8	48.3
<b>Operating Ratios (%)</b>				
EBITDA Margin	22.5	26.6	23.0	22.8
PBT / Total Operating income	21.5	27.5	23.5	22.9
PAT Margin	15.8	20.3	17.6	17.2
Inventory days	24	22	28	27
Debtor days	38	34	36	36
Creditor days	203	172	175	175
<b>Return Ratios (%)</b>				
Adj RoE	40.3	49.1	36.1	32.5
Adj RoCE	52.0	58.9	43.4	40.0
<b>Valuation Ratios (x)</b>				
P/E	8.4	5.2	6.2	6.1
EV / EBITDA	4.7	2.8	3.6	3.6
EV / Net Sales	1.1	0.7	0.8	0.8
Market Cap / Sales	1.3	1.1	1.1	0.0
Price to Book Value	3.4	2.6	2.2	2.0
<b>Solvency Ratios</b>				
Debt/EBITDA	0.1	0.1	0.1	0.1
Debt / Equity	0.1	0.1	0.1	0.1
Current Ratio	0.8	0.9	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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