

02 April 2024

India | Equity Research | Company Update

Coal India

Power/Mining

FY24 operating performance surpasses our estimates

Coal India's (CIL) FY24 operating performance was better than our expectation. Key points: 1) Sales, production volumes were up 8.4% YoY, 10% YoY – both slightly ahead of our estimates; 2) supply to power sector exceeded demand by 8.5mt; 3) supply to non-regulated sector was up 25% YoY at 135mt; 4) better grade conformity and rake availability compared to FY23; and 5) pit-head inventory at end-Mar'24 stood at 90mt (43 days of sales). Going ahead, management has indicated production, sales volume target of 838mt each, implying production and sales growth of 8.3% YoY and 11.2% YoY, respectively. In comparison, our estimates stand at 820mt and 811mt for production and sales volume, respectively. We maintain **ADD** on CIL with an unchanged TP of INR 500 on 8.5x FY26E EPS.

Robust operating performance in the year of many firsts

CIL rounded off FY24 with robust operating performance. Key points: 1) Both sales and production volume were ahead of our estimates; 2) MCL became the first domestic coal producing company to record more than 200mt in sales volume; 3) all the subsidiaries except ECL, SECL and NEC surpassed their respective annual targets for the second successive year; 4) supplies to power sector rose 5.4% YoY at 618.5mt, more than committed volume of 610mt; 5) rake availability improved by 6.8% YoY at 273.6 rakes and grade conformity at 76% was higher than 70% over preceding year; and 6) pit-head inventory stood at comfortable level of 90mt, implying 43 days of production. Going ahead, management expects both production, sales volume growth to continue and has guided for 838mt for each.

Consensus estimates are likely to be revised up

Taking cognisance of CIL's robust operating performance, we believe street estimates at INR 48.8/share for FY24 may exceed as: 1) Performance incentive of about INR 60-80bn is likely as supply to power sector has exceeded demand; 2) better grade conformity is likely to result in better FSA price; and 3) sales volume is higher than even our estimate of 751mt (highest on the street). Going ahead, we believe street's FY25 EPS estimate of INR 47.8/share may also exceed as: 1) Management's guidance for production/sales is 2%/3% ahead of our estimates – highest on the street; and 2) supply to NRS is likely to stay elevated due to better rake availability and pit-head inventory.

Financial Summary

Y/E March (INR mn)	FY23A	FY24E	FY25E	FY26E
Net Revenue	13,82,519	14,23,707	14,73,759	15,73,374
EBITDA	3,68,179	3,97,569	4,07,633	4,76,149
EBITDA Margin (%)	26.6	27.9	27.7	30.3
Net Profit	2,81,331	3,07,080	3,14,834	3,67,999
EPS (INR)	45.7	49.8	51.1	59.7
EPS % Chg YoY	61.8	9.2	2.5	16.9
P/E (x)	9.7	8.9	8.7	7.4
EV/EBITDA (x)	6.2	5.9	5.6	4.5
RoCE (%)	46.9	41.5	34.2	33.6
RoE (%)	60.8	53.5	44.7	43.3

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Market Data

Market Cap (INR)	2,724bn
Market Cap (USD)	32,682mn
Bloomberg Code	COAL IN
Reuters Code	COAL.BO
52-week Range (INR)	488 /214
Free Float (%)	37.0
ADTV-3M (mn) (USD)	78.8

Price Performance (%)	3m	6m	12m
Absolute	15.8	49.7	106.9
Relative to Sensex	13.3	37.3	79.2

Previous Reports

03-03-2024: [Company Update](#)

20-02-2024: [Q3FY24 concall update](#)

Outlook: Operating leverage benefits may continue

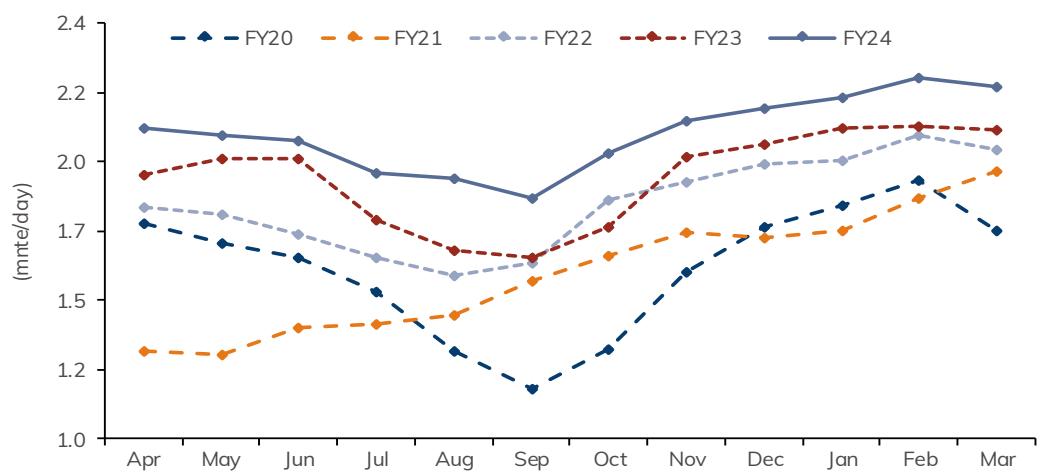
CIL's record-high production and sales volume in FY24, better rake availability and robust production/sales volume guidance for FY25 indicate operating leverage benefits are likely to sustain. While e-auction prices may remain subdued owing to much higher availability on CIL's pit head, we believe the impact is likely to mitigate by higher volume and better realisation on improving grade conformity. Furthermore, we expect SECL and ECL to report better operating performance, carrying the improvement witnessed in H2FY24. Maintain **ADD** on CIL with an unchanged TP of INR 500/share based on 8.5x FY26E EPS.

Exhibit 1: Strong operating performance in FY24

(mntr)	Mar-24	Mar-23	Feb-24	YoY (%)	MoM (%)	Mar-24	Mar-23	% growth	FY24E	% diff
Production volume	88.6	83.5	74.8	6.1	18.4	774	703	10.0	760	1.8
Despatch volume	68.8	64.2	65.3	7.2	5.4	754	695	8.4	751	0.3

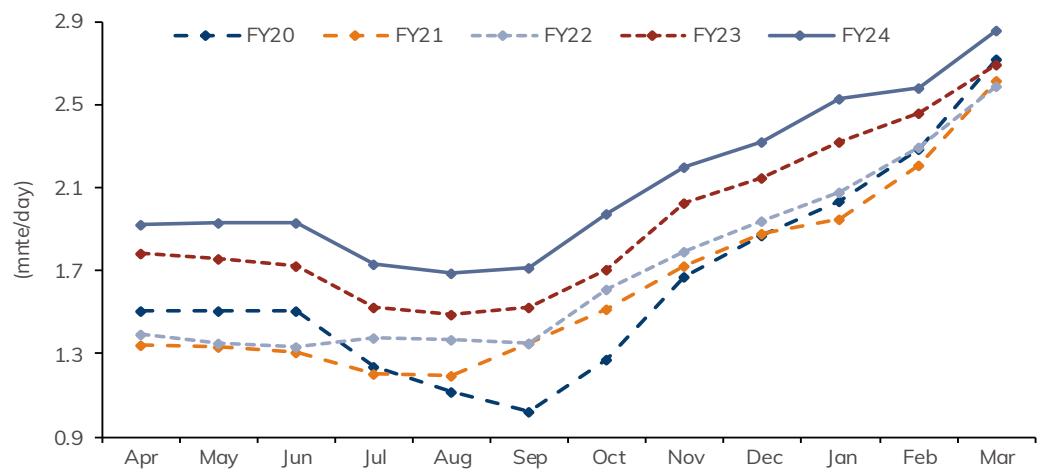
Source: I-Sec research, Company data

Exhibit 2: Best-ever sales volume in every single month

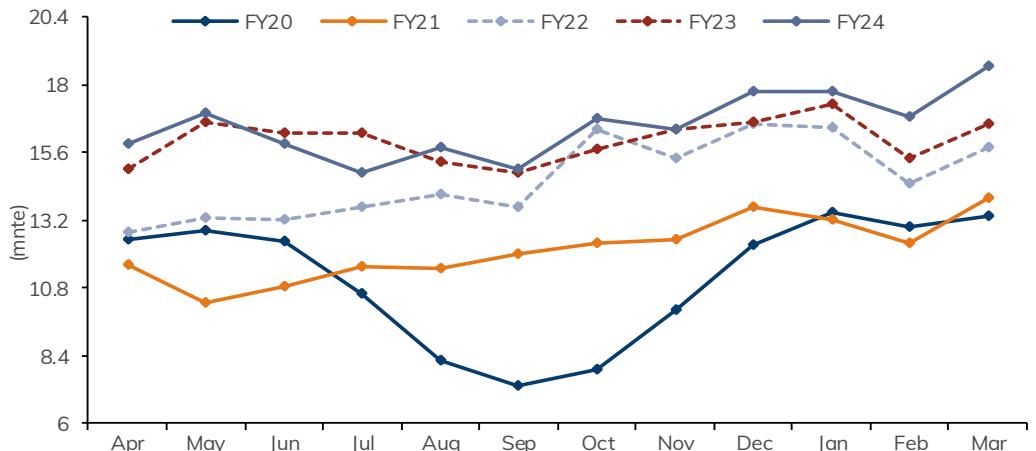


Source: Company data, I-Sec research

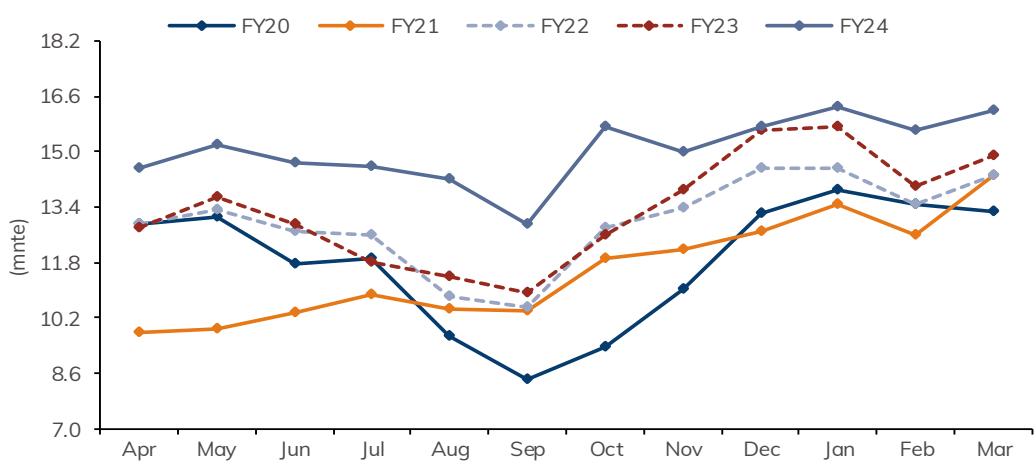
Exhibit 3: Best-ever production volume



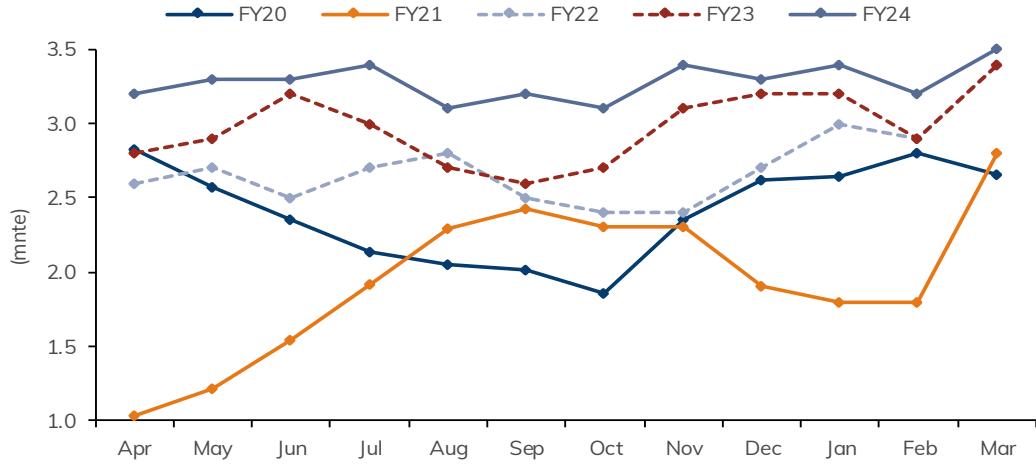
Source: I-Sec research, Company data

Exhibit 4: MCL reported improvement in H2FY24


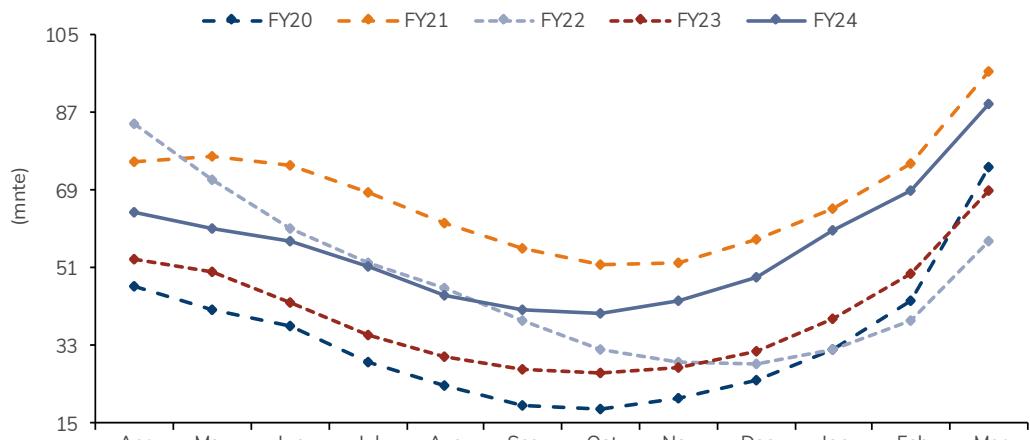
Source: I-Sec research, Company data

Exhibit 5: SECL's performance was higher in FY24 vs FY23


Source: I-Sec research, Company data

Exhibit 6: BCCL reported its best-ever performance


Source: I-Sec research, Company data

Exhibit 7: Pit-head inventory rose to 90mt


Source: I-Sec research, Company data

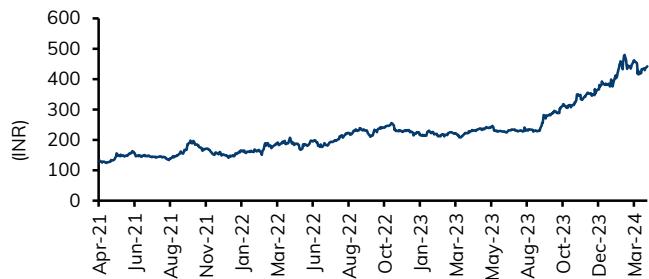
Key risks

- Higher-than-expected decline in e-auction price/volume.
- Lower-than-expected volume uptick.
- Subdued demand from power sector.

Exhibit 8: Shareholding pattern

%	Jun'23	Sep'23	Dec'23
Promoters	63.1	63.1	63.1
Institutional investors	31.6	31.6	31.6
MFs and others	9.7	11.1	10.4
FIIs/Banks	0.0	0.3	0.3
Insurance	12.3	12.5	12.1
FIIs	9.6	7.8	8.8
Others	5.3	5.3	5.3

Source: Bloomberg

Exhibit 9: Price chart


Source: Bloomberg

Financial Summary

Exhibit 10: Profit & Loss

(INR mn, year ending March)

	FY23A	FY24E	FY25E	FY26E
Net Sales	13,82,519	14,23,707	14,73,759	15,73,374
Operating Expenses	10,14,340	10,26,139	10,66,127	10,97,226
EBITDA	3,68,179	3,97,569	4,07,633	4,76,149
EBITDA Margin (%)	26.6	27.9	27.7	30.3
Depreciation & Amortization	46,753	50,375	56,525	62,136
EBIT	3,21,426	3,47,194	3,51,107	4,14,012
Interest expenditure	-	-	-	-
Other Non-operating Income	65,507	75,399	81,105	89,171
Recurring PBT	3,80,090	4,14,877	4,25,353	4,97,182
Profit / (Loss) from Associates	-	-	-	-
Less: Taxes	98,759	1,07,798	1,10,520	1,29,183
PAT	2,81,331	3,07,080	3,14,834	3,67,999
Less: Minority Interest	-	-	-	-
Extraordinaries (Net)	-	-	-	-
Net Income (Reported)	2,81,331	3,07,080	3,14,834	3,67,999
Net Income (Adjusted)	-	-	-	-

Source Company data, I-Sec research

Exhibit 11: Balance sheet

(INR mn, year ending March)

	FY23A	FY24E	FY25E	FY26E
Total Current Assets	10,34,887	10,04,624	10,87,011	12,29,771
of which cash & cash eqv.	3,99,219	3,46,664	4,28,885	5,60,097
Total Current Liabilities & Provisions	6,86,665	6,56,644	6,61,131	6,64,728
Net Current Assets	3,48,222	3,47,980	4,25,880	5,65,043
Investments	1,00,388	1,00,388	1,00,388	1,00,388
Net Fixed Assets	4,93,728	5,78,354	6,56,828	7,29,692
ROU Assets	-	-	-	-
Capital Work-in-Progress	1,52,626	1,67,626	1,82,626	1,97,626
Total Intangible Assets	25,881	25,881	25,881	25,881
Other assets	3,00,834	3,00,834	3,00,834	3,00,834
Deferred Tax Assets	-	-	-	-
Total Assets	14,25,402	15,24,785	16,96,160	19,23,186
Liabilities				
Borrowings	41,744	60,744	60,744	60,744
Deferred Tax Liability	13,307	13,307	13,307	13,307
provisions	7,90,195	7,48,381	7,89,804	8,33,712
other Liabilities	-	-	-	-
Equity Share Capital	61,627	61,627	61,627	61,627
Reserves & Surplus	5,10,822	6,33,019	7,62,971	9,46,089
Total Net Worth	5,72,449	6,94,647	8,24,598	10,07,716
Minority Interest	7,707	7,707	7,707	7,707
Total Liabilities	14,25,402	15,24,785	16,96,160	19,23,186

Source Company data, I-Sec research

Exhibit 12: Quarterly trend

(INR mn, year ending March)

	Mar-23	Jun-23	Sep-23	Dec-23
Net Sales	3,81,523	3,59,832	3,27,764	3,61,540
% growth (YOY)	16.6	2.5	9.8	2.8
EBITDA	68,981	1,05,139	81,370	1,13,731
Margin %	18.1	29.2	24.8	31.5
Other Income	22,100	15,378	19,839	22,033
Extraordinaries	-	-	-	-
Adjusted Net Profit	55,276	79,414	68,135	90,937

Source Company data, I-Sec research

Exhibit 13: Cashflow statement

(INR mn, year ending March)

	FY23A	FY24E	FY25E	FY26E
Operating Cashflow	4,92,736	3,05,142	3,75,679	4,22,186
Working Capital Changes	(31,604)	(52,312)	4,320	(7,950)
Capital Commitments	(1,41,027)	(1,50,000)	(1,50,000)	(1,50,000)
Free Cashflow	3,51,709	1,55,142	2,25,679	2,72,186
Other investing cashflow	-	-	-	-
Cashflow from Investing Activities	(1,41,027)	(1,50,000)	(1,50,000)	(1,50,000)
Issue of Share Capital	-	-	-	-
Interest Cost	-	-	-	-
Inc (Dec) in Borrowings	8,052	19,000	-	-
Dividend paid	(1,43,281)	(1,84,882)	(1,84,882)	(1,84,882)
Others	-	-	-	-
Cash flow from Financing Activities	(1,35,229)	(1,65,882)	(1,84,882)	(1,84,882)
Chg. in Cash & Bank balance	2,16,480	(10,740)	40,798	87,304
Closing cash & balance	5,08,274	3,88,479	3,87,462	5,16,189

Source Company data, I-Sec research

Exhibit 14: Key ratios

(Year ending March)

	FY23A	FY24E	FY25E	FY26E
Per Share Data (INR)				
Reported EPS	45.7	49.8	51.1	59.7
Adjusted EPS (Diluted)	45.7	49.8	51.1	59.7
Cash EPS	53.2	58.0	60.3	69.8
Dividend per share (DPS)	24.0	30.0	30.0	30.0
Book Value per share (BV)	92.9	112.7	133.8	163.5
Dividend Payout (%)	52.6	60.2	58.7	50.2
Growth (%)				
Net Sales	26.0	3.0	3.5	6.8
EBITDA	49.1	8.0	2.5	16.8
EPS (INR)	61.8	9.2	2.5	16.9
Valuation Ratios (x)				
P/E	9.7	8.9	8.7	7.4
P/CEPS	8.3	7.6	7.3	6.3
P/BV	4.8	3.9	3.3	2.7
EV / EBITDA	6.2	5.9	5.6	4.5
P / Sales	2.0	1.9	1.9	1.7
Dividend Yield (%)	5.4	6.8	6.8	6.8
Operating Ratios				
Gross Profit Margins (%)	90.3	92.4	92.1	92.1
EBITDA Margins (%)	26.6	27.9	27.7	30.3
Effective Tax Rate (%)	26.0	26.0	26.0	26.0
Net Profit Margins (%)	20.3	21.6	21.4	23.4
NWC / Total Assets (%)	-	-	-	-
Net Debt / Equity (x)	(0.8)	(0.6)	(0.6)	(0.6)
Net Debt / EBITDA (x)	(1.2)	(1.0)	(1.1)	(1.3)
Profitability Ratios				
RoCE (%)	46.9	41.5	34.2	33.6
RoE (%)	60.8	53.5	44.7	43.3
RoIC (%)	178.9	148.4	97.2	83.9
Fixed Asset Turnover (x)	3.0	2.8	2.6	2.4
Inventory Turnover Days	26	22	21	21
Receivables Days	42	44	39	39
Payables Days	28	16	15	16

Source Company data, I-Sec research

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