10 June 2024

Coal India

Volume momentum to persist; retaining a Buy

Rating: **Buy**
Target Price (12-mth): Rs.545
Share Price: Rs.475

With dispatches of ~838m tonnes expected in FY25 and ~900m in FY26, Coal India offers healthy volume assurance, driven by mounting coal demand by the power sector. The focus on ramping up of FSA and e-auction volumes, along with cost-saving steps, evacuation and infrastructure-improvement projects would drive the company's performance. We expect >108m/120m tonnes of sales via auction-determined prices in FY25/26. E-auction premiums, now ~50%, are expected to be 55-59% over FY25-26. Over the last three years, the company intensified its capex (~Rs340bn likely over the next two years). Higher capex would pave the way for 1bn tonnes of production over 2-3 years. We retain a Buy, at a 12-mth Rs545 TP, 6x FY26e EV/EBITDA.

Volume momentum to persist. Prominent in the domestic energy landscape, the company accounts for ~78% of domestic coal offtake and has an ambitious, 838m tonne FY25 sales target, aiming at 1bn tonnes over the next 2-3 years. The share of e-auction volumes would increase from ~9% to >13%.

Stripping activity reversal. To comply with INDAS, the stripping provision, representing the credit balance of the activity created till Mar'22, would be reversed and is expected to be credited to the P&L. We believe the company would reverse ~Rs55bn-65bn pa over the next 8-10 years to the P&L, which would increase its profitability.

Record capex. Over the last four years, the company has been spending increasingly on capex (>Rs640bn). It has been relentlessly investing in land, increasing Railways capacity, undertaking first-mile connectivity (FMC) projects, setting up washeries, enhancing machinery, etc., which would eventually help it ramp up seamlessly to 1bn tonnes of production.

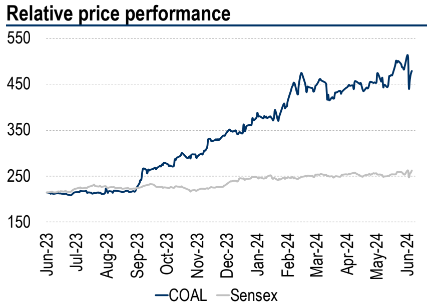
Business outlook, valuations. Considering the company's focus on ramping up volumes, cost-control steps, investor-friendly dividend policy, strong balance sheet and robust power demand, we retain our Buy, at a 12-mth TP of Rs545, 6x FY26e EV/EBITDA.

Key data	COAL IN
52-week high / low	Rs527 / 223
Sensex / Nifty	76490 / 23259
3-m average volume	$75.8m
Market cap	Rs2944bn / $35252m
Shares outstanding	6163m

Shareholding pattern (%)	Mar'24	Dec'23	Sep'23
Promoters	63.1	63.1	63.1
- of which, Pledged	*0.0*	*0.0*	*0.0*
Free float	36.9	36.9	36.9
- Foreign institutions	8.4	8.6	7.8
- Domestic institutions	23.2	23.1	24.1
- Public	5.3	5.2	5.0

Estimates revision (%)	FY25e	FY26e
Sales	(0.4)	1.6
EBITDA	(5.5)	(2.8)
PAT	13.7	18.5

Relative price performance



Source: Bloomberg

Key financials (YE Mar)	FY22	FY23	FY24	FY25e	FY26e
Sales volume (m tonnes)	662.3	695.3	753.5	838.0	899.5
Revenue (Rs bn)	1,097	1,383	1,423	1,604	1,773
Adj. EBITDA (Rs bn)	285	406	418	449	498
Adj. EBITDA/t (Rs / tonne)	430	584	555	535	554
Net profit (Rs bn)	174	318	374	372	408
PE (x)	17.0	9.3	7.9	7.9	7.2
EV / EBITDA (x)	9.2	6.3	6.4	5.8	5.2
Net debt / equity (x)	(0.8)	(0.7)	(0.5)	(0.4)	(0.4)

FY23 has been restated
Source: Company, Anand Rathi Research

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Research Analyst

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Research Analyst

Quick Glance – Financials and Valuations

Fig 1 – Income statement (Rs m)

Year-end: Mar	FY22	FY23	FY24	FY25e	FY26e
Production (m tonnes)	622.6	703.2	773.6	838.0	899.5
Sales (m tonnes)	662.3	695.3	753.5	838.0	899.5
Revenue	1,097	1,383	1,423	1,604	1,773
Growth (%)	*21.9*	*26.0*	*2.9*	*12.7*	*10.5*
Adj. EBITDA	**285**	**406**	**418**	**449**	**498**
Adj. EBITDA / tonne (Rs)	430	584	555	535	554
Adj. EBITDA margins (%)	*25.9*	*29.4*	*29.4*	*28.0*	*28.1*
Depreciation	44	68	67	81	84
Other income	39	66	80	72	72
Interest expenses	5	7	8	9	8
PBT before excep. items	236	433	484	492	540
PBT after exceptional items	236	433	484	492	540
Effective tax	62	116	114	124	136
PAT (before Asso./(Minorities))	26.4	26.7	23.7	25.2	25.2
+ Associates / (Minorities)	0	0	5	4	4
Reported PAT	174	318	374	372	408
Adj. PAT	174	318	374	372	408
Adj. PAT growth (%)	*36.7*	*83.0*	*17.8*	*-0.5*	*9.5*

Fig 2 – Balance sheet (Rs m)

Year-end: Mar	FY22	FY23	FY24	FY25e	FY26e
Share capital	62	62	62	62	62
Reserves	370	547	766	952	1,155
Net worth	431	608	827	1,013	1,217
Debt	33	41	63	53	33
Minority interest	7	8	9	9	9
DTL / (Asset)	(33)	(12)	(14)	(14)	(14)
Others	749	863	854	854	854
Capital employed	**1,187**	**1,509**	**1,739**	**1,915**	**2,098**
Net tangible assets	427	570	679	733	793
Net CWIP	127	153	147	153	159
Net exp and evac. assets	39	49	50	78	108
Net intangible assets	3	49	69	65	61
Investments	24	31	39	39	39
Other non-current assets	213	263	321	321	321
Current assets (excl.cash)	564	641	704	757	834
Cash (incl. bank/invest.)	365	440	335	387	413
Current liabilities	574	688	606	619	629
Capital deployed	**1,187**	**1,509**	**1,739**	**1,915**	**2,098**

Fig 3 – Cash-flow statement (Rs m)

Year-end: Mar	FY22	FY23	FY24	FY25e	FY26e
Adj. EBITDA	285	406	418	449	498
+ other Adj.	-	-	-	-	-
- Incr. / (decr.) in WC	174	27	(162)	(40)	(67)
Taxes	(63)	(97)	(117)	(124)	(136)
Others	15	22	42	66	65
CF from operations	411	357	181	350	361
- Capex (tangible + intangible)	(120)	(152)	(167)	(165)	(175)
Free cash-flow	291	205	14	185	186
Others	(145)	(83)	123	72	72
CF from investments	(265)	(235)	(45)	(93)	(103)
- Div. (incl. buyback & taxes)	(108)	(143)	(151)	(186)	(204)
+ Debt raised	(26)	8	14	(10)	(20)
Others	(1)	(1)	(2)	(9)	(8)
CF from financial activity	(134)	(137)	(139)	(205)	(231)
Closing cash balance	365	440	335	387	413

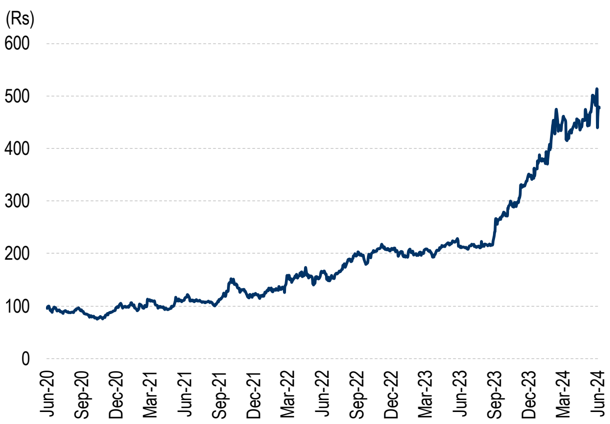
Source: Company, Anand Rathi Research

Fig 4 – Ratio analysis

Year-end: Mar	FY22	FY23	FY24	FY25e	FY26e
EPS	28.2	51.5	60.7	60.4	66.1
BVPS	70.0	98.7	134.2	164.4	197.4
P/E (x)	17.0	9.3	7.9	7.9	7.2
EV / Adj. EBITDA (x)	9.2	6.3	6.4	5.8	5.2
P/B (x)	6.8	4.9	3.6	2.9	2.4
RoE (%)	*40.2*	*52.2*	*45.2*	*36.7*	*33.5*
DPS (Rs)	17.0	24.3	25.5	30.2	33.1
Dividend payout (%)	*60.4*	*47.1*	*42.0*	*50.0*	*50.0*
Net debt / Equity (x)	(0.8)	(0.7)	(0.5)	(0.4)	(0.4)
WC (days)	33	33	39	38	38
NSR / tonne (Rs)	1,519	1,835	1,730	1,777	1,834
E-auction premium	34	228	99	55	59
EBITDA / tonne (Rs)	430	584	555	535	554
EBITDA margins (%)	*25.9*	*29.4*	*29.4*	*28.0*	*28.1*
Net profit margins (%)	*15.8*	*23.0*	*26.3*	*23.2*	*23.0*

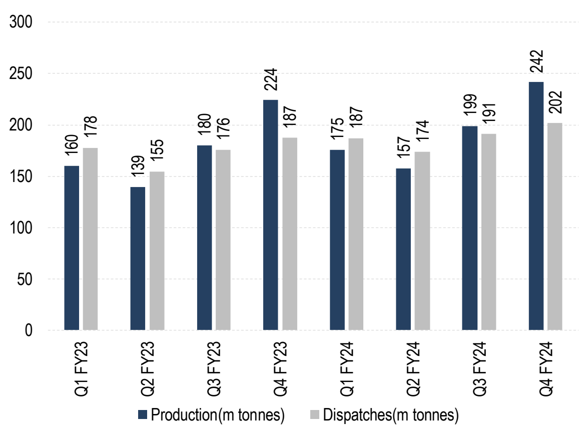
Source: Company, Anand Rathi Research

Fig 5 – Price movement



Source: Bloomberg

Fig 6 – Quarterly volumes (m tonnes)



Source: Company, Anand Rathi Research

Volume momentum to continue

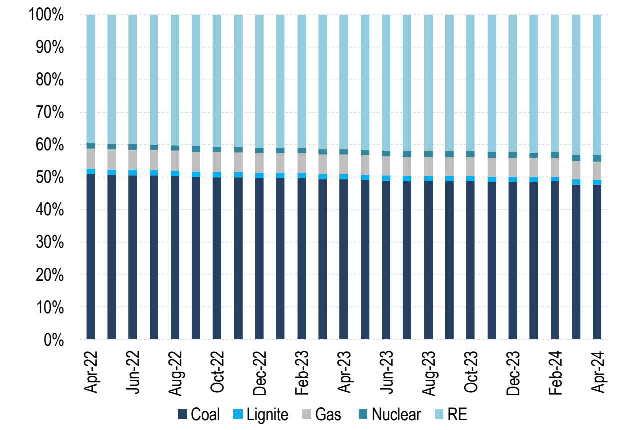
Dispatches: 838m/~900m tonnes in FY25/26; production to touch 1bn tonnes over 2-3 years, ensuring energy security

Accounting for ~78% of domestic production/sale of coal, the company recorded its highest production (773.6m tonnes) and sales (753.5m tonnes), its second straight year of double-digit production growth since inception, driven by the highest dispatches to the power sector (618.5m tonnes, up 5.4% y/y).

As temperatures soared across India, peak power demand at end-May'24 reached 250GW (crossing last year's 243GW) and projected to cross 260GW. As the nation grappled with scorching heat, coal and lignite-based power plants, which comprise ~218GW of installed capacity, would continue to be the base load to address the mounting power demand. Since nuclear power capacity is minuscule (~1.9%) and considering the challenges faced by RE, dependence on thermal power plants would rise, to ensure 24x7 uninterrupted power. Though coal-based thermal power accounts for 47.6% of installed capacity, its contribution in total generation is ~72%. As the company has a significant role in domestic energy, power security directly depends on it.

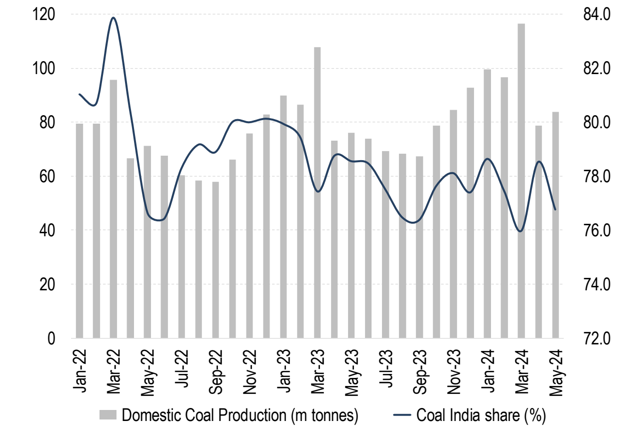
As India approaches its 2030 agenda for sustainable development, RE would be 50% of installed capacity by FY30 (500GW capacity by FY32). RE, however, is faced with challenges such as low PLFs, lack of affordable power storage, regional concentration, execution delays, higher finance costs, inconsistent power generation, etc. Thus, dependence on thermal power plants is here to stay, which would ensure long-term power security for India. We believe demand for coal would keep growing till 2035, after which it would slow down.

Fig 7 – Installed capacity, fuel-wise



Source: CEA, Anand Rathi Research

Fig 8 – Share of Coal India in domestic coal production



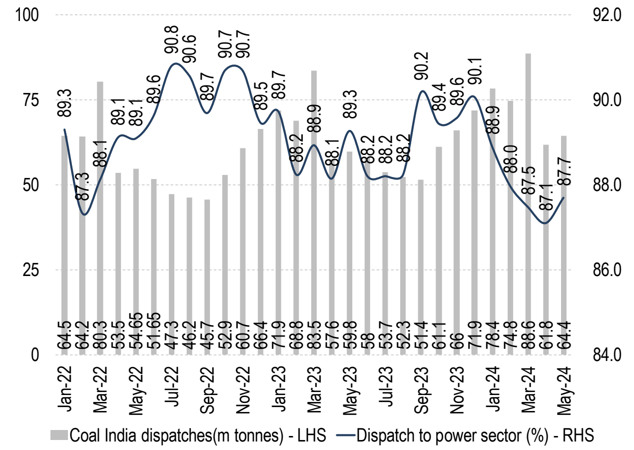
Source: Ministry of Coal, Company, Anand Rathi Research

FSA to drive volumes

Of its dispatches, ~88% is to the power sector (incl. CPPs). 29.4GW of thermal power capacity added are at various stages, which would come on stream by Nov'28. A further 59GW of thermal power plants are anticipated to come on stream by FY32. The coming 80-88GW thermal power plant by FY32 would require 400m-440m tonnes of additional coal. Thus, we believe, demand for coal would increase till FY35 and the company, being the largest coal producer, would continue to be at the forefront.

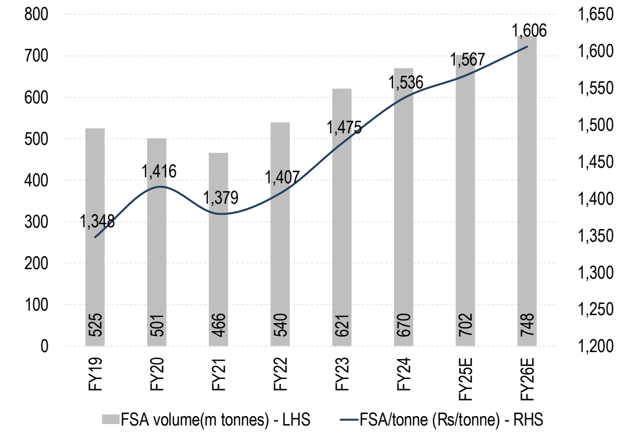
In FY24, the company dispatched a record 618.5m tonnes to the power sector (8.5m tonnes above its committed volumes) and 670.4m tonnes under the FSA route. We expect a 5.6% volume CAGR over FY24-26 under the FSA route, primarily driven by more dispatches to thermal power plants.

Fig 9 – Dispatch to the power sector improved in May'24



Source: Company, Anand Rathi Research

Fig 10 – FSA volumes and realisations



Dispatches to power and non-power sector under FSA
Source: Company, Anand Rathi Research

FSA realisations to remain rangebound

In May'23, the company hiked prices by 8% of high-and medium-grade G2-G10 non-coking coal (~25-27% of volumes). This first major price hike since Jan'18 increased FY24 FSA ASP by ~Rs61 a tonne, which helped in partially offsetting wage hikes due to the National Coal Wage Agreement (NCWA)-XI.

However, considering the next wage hike for non-executive employees is scheduled for FY26 and for executive employees in FY27, we do not expect any major price hike in FSA in the near term. It is estimated that an increase of Rs100 in the FSA price results in power tariff rising ~6-10 paise per unit. Though we expect no price hike, the ASP is expected to cross Rs1,600/tonne in FY26, driven by a better grade mix and more dispatches to the power sector (which would lead to a higher performance incentive).

Fig 11 – Latest FSA price hike (Rs/tonne): Pit-head run of mine price (RoM)

Grade	GCV range	May '23		Jan '18	
	kCal / kg	Power/Fertiliser/Defence	Others	Power/Fertiliser/Defence	Others
G2	Exceeding 6700 and not exceeding 7000	3,560	3,560	3,298	3,298
G3	Exceeding 6400 and not exceeding 6700	3,410	3,410	3,154	3,154
G4	Exceeding 6100 and not exceeding 6400	3,250	3,250	3,010	3,010
G5	Exceeding 5800 and not exceeding 6100	2,970	2,970	2,747	2,747
G6	Exceeding 5500 and not exceeding 5800	2,510	2,730	2,327	2,534
G7	Exceeding 5200 and not exceeding 5500	2,090	2,510	1,936	2,321
G8	Exceeding 4900 and not exceeding 5200	1,590	1,908	1,475	1,767
G9	Exceeding 4600 and not exceeding 4900	1,240	1,488	1,150	1,378
G10	Exceeding 4300 and not exceeding 4600	1,120	1,344	1,034	1,238
G11	Exceeding 4000 and not exceeding 4300	965	1,155	965	1,155
G12	Exceeding 3700 and not exceeding 4000	896	1,073	896	1,073
G13	Exceeding 3400 and not exceeding 3700	827	990	827	990
G14	Exceeding 3100 and not exceeding 3400	758	907	758	907
G15	Exceeding 2800 and not exceeding 3100	600	718	600	718
G16	Exceeding 2500 and not exceeding 2800	514	614	514	614
G17	Exceeding 2200 and not exceeding 2500	457	546	457	546

Above price hike is across all the subsidiaries, except WCL
For G1 grade exceeding 7000kCal / kg, the price would increase by Rs100/tonne over and above the price applicable for the GCV band exceeding 6700 but not exceeding 7000 kCal / kg, for increase in GCV by every 100 kCal / kg or part thereof.
Source: Ministry of Coal, CERC, Company, Anand Rathi Research

E-auction volumes to be elevated

We estimate a ~31% volume CAGR over FY24-26. In the past, the company sold ~12% of its production at auction-determined prices (e-auction volumes across two metal cycles over FY10-23 were ~12.8%, excl. FY23's ~13.1%). Under the single-window auction process, the company sold >8m tonnes through the e-auctions (~13% of volumes) in Apr'24 and expects to sell via e-auctions >108/120m tonnes in FY25/FY26 (~13-13.5% of yearly volumes). As the company has started undertaking frequent and higher linkages for the non-power sector, e-auction premiums, which were a function of international price movements, have now started moving away from global coal prices.

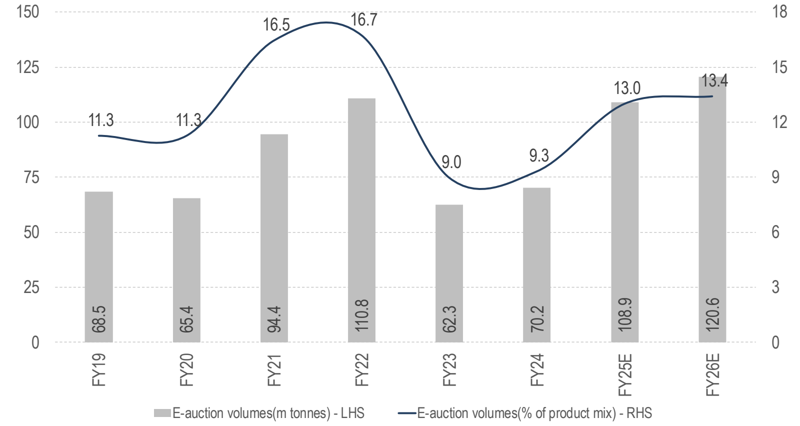
The e-auction premium for Apr'24 was 50%. We believe e-auction premiums would continue at 50-59% over FY25-26, in line with ~55-65% average in the past (e-auction premiums across two metal cycles over FY10-23 at ~71%, excl. FY23's ~60%). Auction-determined prices would be Rs2,425-2,550 a tonne over the next two years. The increase in e-auction volumes would adequately compensate for the reduction in premiums.

Fig 12 – E-auction volumes expected to cross 120m tonnes by FY26

	E-auction volumes (m tonnes)	Premium (%)	ASP (Rs / tonne)	Revenue (Rs bn)
FY19	68.5	*95.3*	2,632	180
FY20	65.4	*53.8*	2,177	142
FY21	94.4	*13.8*	1,569	148
FY22	110.8	*33.6*	1,879	208
FY23	62.3	*228.3*	4,841	302
FY24	70.2	*99.1*	3.059	215
FY25e	108.9	*55.0*	2,429	265
FY26e	120.6	*58.5*	2.546	307

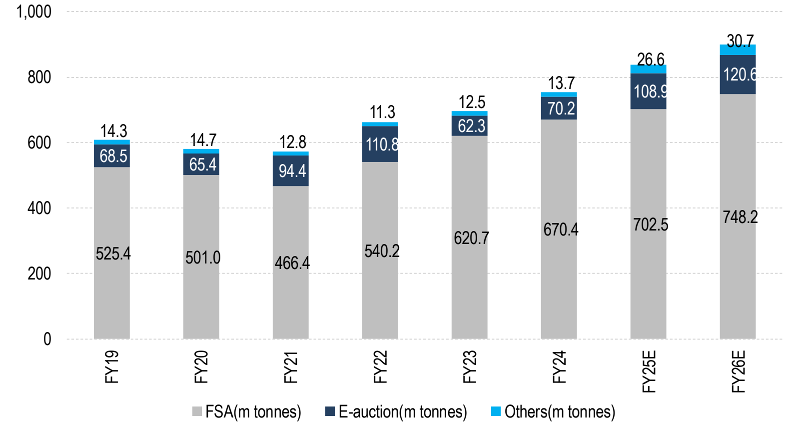
Source: Company, Anand Rathi Research

Fig 13 – Share of e-auction expected to increase



Source: Company, Anand Rathi Research

Fig 14 – Product mix (m tonnes)



Source: Company, Anand Rathi Research

Other highlights

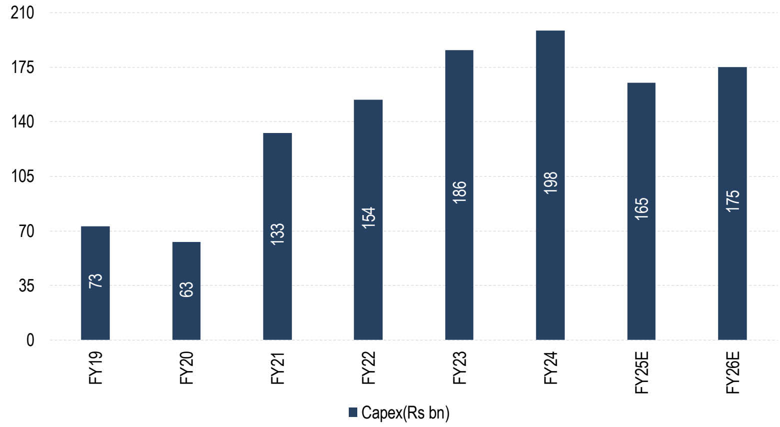
Record capex

Capex is directly linked to the increase in production. Over the last four years, the company has been increasingly spending on capex (>Rs640bn). It took almost 12 years to increase production by 167m tonnes, from 430m tonnes in FY10 to 596m tonnes in FY21. However, it took only four years to reach 774m tonnes (177m tonnes of increased production between FY21 and FY24).

The company has been relentlessly investing in land, increasing railway capacity, undertaking FMC projects, setting up washeries, enhancing machinery, etc., which would help in ramping up to 1bn tonnes of production.

Though capex is estimated at Rs165bn for FY25, as seen over the last few years, it is highly likely to exceed the guidance. ~50% of capex would be utilised to enhancing machinery and acquire land; the rest for solar projects, coal washeries, mine development, etc.

Fig 15 – Capex to remain elevated



Source: Company, Anand Rathi Research

Enhancing railway infrastructure

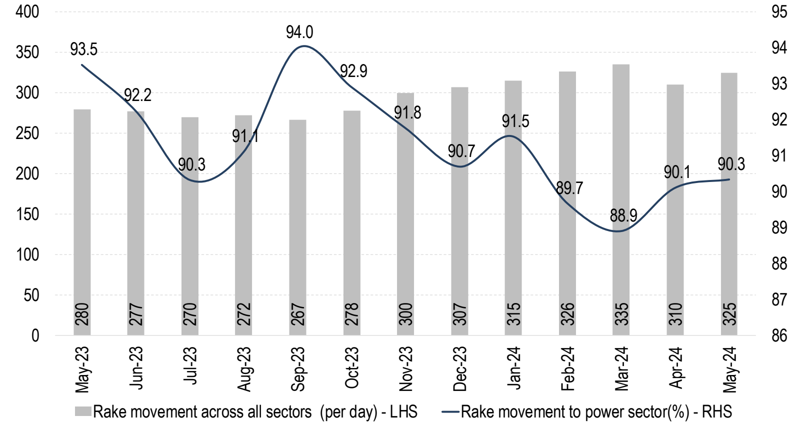
Coal being the backbone of sustainable power management, its transport and logistics from a mine to the end consumer is the utmost priority for the long-term development of India. Most coal reserves lie in the central and eastern belts of India (Jharkhand, Odisha, Chhattisgarh, West Bengal, Telangana, Maharashtra, Madhya Pradesh), while coal-based power, steel and cement plants are scattered across India. Hence, good transportation and a logistics network is of the utmost importance.

In the last few years, the company has sharpened its focus to strengthen dispatches via the railways. Under its Coal Logistics Policy, it plans to address the issue of logistics by constructing railway infrastructure, FMC projects and increasing rail connectivity. This planned infrastructure would not only help in strategically shifting logistics to rail, which is in line with its long-term production target, but also ensure timely availability amid rising demand.

The company consistently increased dispatches via rakes from 267 rakes/day in Sep’23 to 335 in Mar’24, followed by a sudden dip in Apr’24 to 310. However, the issue has been resolved and dispatches via rakes were 325 in May’24. To maintain coal stocks at thermal power plants, the company increased its dispatches to the plants via rakes (from 279 in Apr’24 to 293 in

May'24). ~90% of rake dispatches are done to thermal plants, with an average loading capacity of ~3,600-3,700 tonnes per rake.

Fig 16 – Average rake movements per day



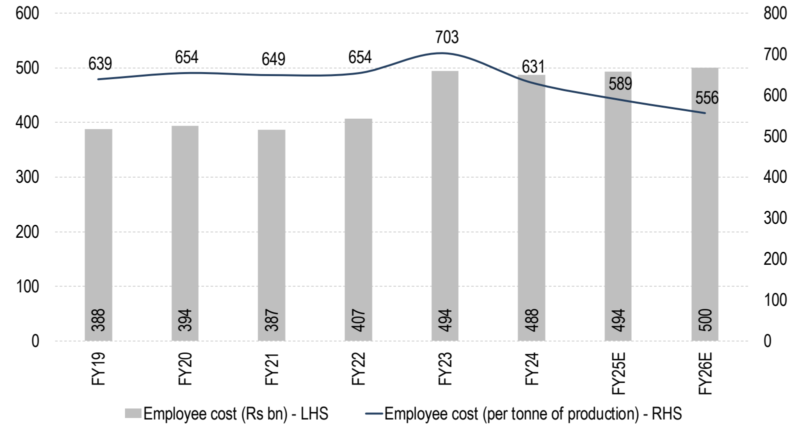
Source: Ministry of Coal, Anand Rathi Research

Employee cost to be stable

The company has ~215,000 employees and has taken steps to reduce manpower (one of its largest expenses, 34-36% of revenue) by 5% a year over the next 5-10 years. Since FY19, it reduced manpower ~19-20% (~54,421 employees) as it shifted from a manpower-oriented entity to a machine-oriented one. It is likely to further reduce manpower to 130,000-150,000 by FY35. Last year, it concluded the NCWA XI for salaries and wages to non-executives; with the next non-executive wage hike scheduled for FY26 and, for executives, in FY27. Employee cost is likely to remain at the FY24 level.

Though ~5% would move out of the system annually, per NCWA, the company offers a 3% annual hike along with other perquisites to employees. This would keep the quarterly payout at ~Rs120bn-125bn. If the company did not annually reduce its employee count, the annual increase in employee cost would be 8-11%.

Fig 17 – Employee cost to be rangebound



Source: Company, Anand Rathi Research

Stripping activity reversal

To comply with INDAS, stripping provision, representing the credit balance of activity created till Mar'22, is being reversed and expected to be credited to the P&L over 8-10 years. We believe the company would reverse and credit

~Rs55bn-65bn a year over the next 8-10 years to the P&L, which is further expected to increase its profitability.

Considering that the company links its dividend payout to profitability, we expect Rs61-64 dividend payout over the next two years, subject to cashflows.

Fig 18 – Changes in estimate

	FY25e		FY26e	
	Old	New	Old	New
OBR (Rs bn)	43	(61)	48	(61)
Adj. PAT (Rs bn)	327	372	348	408
Dividend (per sh)	26.6	30.2	28.2	33.1

Source: Anand Rathi Research

FMC and mine developer operators (MDO)

FMC. The company via its flagship FMC project has identified various projects to mechanise coal transport and loading systems and reduce dependence on road transport. FMC projects involve installing conveyor belts to transport coal from pitheads to loading stations, where an RLS loads coal onto rakes. The company has already implemented nine projects and identified a further 66 under FMC at Rs277.5bn outlay. Once completed, these projects would increase mechanised evacuation from 151m tonnes to 988.5m by FY30. Implementing FMCs would improve coal quality and reduce loading/ unloading costs in tandem with higher projected sales volumes.

MDO. To encourage private participation in coal mining and ensure steady supply of coal to the power sector, the Ministry encourages use of MDO. MDOs not only enhance domestic coal production but also help introduce advanced mining technologies and agile practices, ensuring higher productivity and efficiency. The company has engaged with MDOs for 30 projects in two phases of 274m tonnes pa. It plans ~80m-90m tonnes under the MDO route in FY25, and thereafter gradually increasing the figure to 120-150m a year.

Domestic coal demand

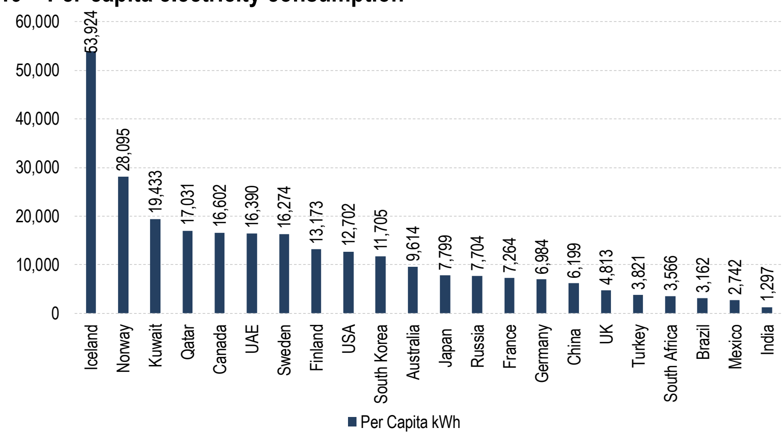
Being the second largest coal consuming country, India requires ~1,235m-1,240m tonnes of thermal and coking coal, of which the share of the former is 89-90%. The power sector (incl. CPP) accounts for ~88% of thermal coal required. In FY24, India produced ~930m tonnes of thermal coal; the rest was imported. Similarly, India produced ~66m tonnes of coking coal in FY24 and imported ~58m tonnes.

After cancelling 204 coal mines in 2014, significant reforms were introduced, bringing transparency to coal auctions. Since then, under the commercial mining process and to provide a level playing-field to the private sector, ~104 mines have been successfully auctioned. Though this was a tremendous success, of the mines auctioned post-2020, only a few have been operational. Even if more coal blocks come on stream and fast-track operations, they would first replace imported coal (to shrink by 30-35m tonnes in the next two years). Hence, the company would not be faced with significant competition with these mines being commercialised in the near to mid-term.

Thermal coal consumption would rise to ~1,135m-1,150m tonnes in FY25. The coming 80-88GW thermal power plant by FY32 would require 400m-440m tonnes of additional coal. Thus, we believe, demand for coal would rise till FY35.

As India enters its nation-building phase, per-capita consumption of energy is expected to grow in tandem with GDP, up from ~1,297kWh. As India's per-capita electricity consumption grows from its level now to that of Brazil (~3,162kWh), South Africa (~3,566kWh), China (~6,199kWh), etc., huge opportunities would come up for India's power sector. With coal dominant in energy, the company would gain from the ever-increasing demand for power.

Fig 19 – Per-capita electricity consumption



Source: Industry (2022), Anand Rathi Research

Result highlights

Quarterly operational highlights

- Coal production was 241.8m tonnes, up 7.8% y/y, 21.5% q/q. Dispatches were 201.7m tonnes, up 7.7% y/y, 5.5% q/q.
- Dispatches were driven by higher offtake via FSA/e-auction routes. The company dispatched 175.9m tonnes under FSA, up 5.1% y/y, 2.1% q/q.
- Dispatches under e-auction were the highest in the last eight quarters to 22.6m tonnes, up 37.6% y/y, 43.2% q/q. E-auction as percent of volumes was >11%.
- Revenue (sales) was muted at Rs374bn, down 1.9% y/y due to a drop in e-auction premiums (though q/q up 3.5%).
- FSA realisations were flat at Rs.1,526/tonne; however, e-auction realisations fell 43.8% y/y, 23.4% q/q, to Rs2,545/tonne.
- Adj. EBITDA was Rs98bn, and adj. EBITDA/tonne, Rs488, up Rs27/tonne y/y but q/q down Rs136/tonne.
- Adj. PAT was Rs87bn, up 26.3% y/y but q/q down 14.3%.

FY24 operational highlights

- Production was up 10% y/y to 773.6m tonnes; this was the second consecutive year of double-digit production growth. Dispatches were 753.5m tonnes, up 8.4% y/y.
- Revenue (sales) grew 2.9% y/y to Rs1,423bn. Adj. EBITDA rose 3% y/y to Rs418bn and Adj. PAT, 17.8% y/y to Rs374bn, the improvement due to lower depreciation and higher other income.

Fig 20 – Consolidated quarterly financials

(Rs bn)	Q1 FY23	Q2 FY23	Q3 FY23	Q4 FY23	Q1 FY24	Q2 FY23	Q3 FY24	Q4 FY24	% Y/Y	% Q/Q
Sales	351	298	352	382	360	328	362	374	*(1.9)*	*3.5*
Adj. EBITDA	127	80	108	86	112	89	119	98	*14.0*	*(17.5)*
PBT	121	78	151	95	107	129	133	114	*19.6*	*(14.9)*
Adj. PAT	88	60	123	69	80	106	101	87	*26.3*	*(14.3)*
Production (m tonnes)	159.8	139.2	180.1	224.2	175.5	157.4	199.0	241.8	*7.8*	*21.5*
Sales (m tonnes)	177.7	154.5	175.8	187.3	187.0	173.7	191.2	201.7	*7.7*	*5.5*
FSA (m tonnes)	153.8	141.6	157.8	167.5	167.5	154.7	172.3	175.9	*5.1*	*2.1*
E-auction (m tonnes)	20.9	10.4	14.7	16.4	16.1	15.8	15.8	22.6	*37.6*	*43.2*
Others (m tonnes)	3.0	2.6	3.5	3.5	3.4	3.5	3.4	3.4	*(2.0)*	*1.5*
Blended realisations (Rs / tonne)	1,829	1,782	1,845	1,877	1,769	1,726	1,727	1,699	*(9.5)*	*(1.6)*
FSA (Rs / tonne)	1,443	1,414	1,482	1,550	1,536	1,542	1,532	1,536	*(0.9)*	*0.2*
E-auction (Rs / tonne)	4,340	6,064	5,047	4,525	3,742	2,838	3,321	2,545	*(43.8)*	*(23.4)*
E-auction premium (%)	*201*	*329*	*241*	*192*	*144*	*84*	*117*	*66*	*-*	*-*

Q4 FY23, Q3 and Q4 FY24 are restated post-OBR adjustments. As the company has not declared restated financials for the remaining quarter, we have kept Q1 and Q2 FY23 and Q1 FY24 as reported, Whereas Q3 FY23 and Q2 FY24 are the balance quarters, which would be updated in coming quarters.
Source: Company, Anand Rathi Research

Valuations

Considering all the positive triggers, we have built in an 11.9% revenue CAGR over FY24-26, driven by the volume ramp-up from FSA and e-auctions. Further, in line with various cost-saving measures and RM linkages, we estimate EBITDA/tonne of Rs554. On greater volumes, improved logistics, shutting of unviable mines, fewer employees and growth in power demand, we value the company at 6x FY26e EV/EBITDA. Our TP works out to Rs545.

Fig 21 – TP of Rs545

	UoM	FY26e
Adj. EBITDA	Rs bn	498
Target EV / EBITDA (x)	X	6
Target EV	Rs bn	2,988
Net debt	Rs bn	(380)
Equity value	Rs bn	3,368
No. of shares	bn	6
TP	**Rs**	**545**

Source: Anand Rathi Research

Appendix

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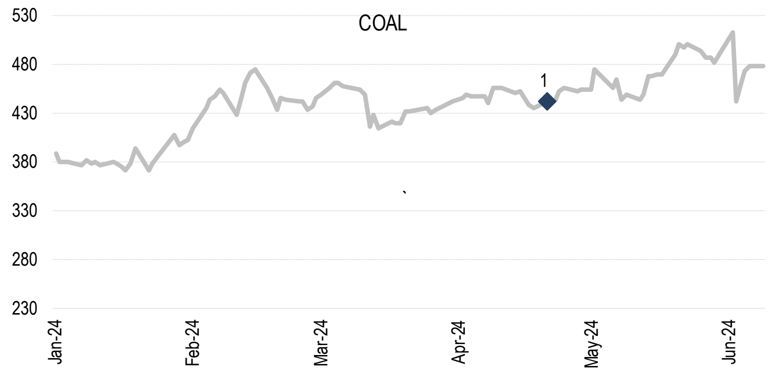

	Date	Rating	TP (Rs)	Share Price (Rs)
1	22-Apr-24	Buy	520	435

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