



Investor Meet Takeaways

Change in Estimates post Q3FY24 Investor Meet

FY24E/FY25E: Revenue: -1%/0%; **Adj. EBITDA:** -2%/0%; **Attrib. PAT:** -2%/0%

Key Investor meet takeaways

- **Moderation of E-auction premium:** E-auction premiums will moderate to 40-50% in future (In Jan-Feb'24, it ranged between 36%-50% vs. 117% in Q3FY24) as CIL ramps up coal volumes. In order to mitigate the negative impact of lower e-auction premiums, CIL has started the linkages to the Non-regulated sector (NRS) twice a year from once a year earlier. To tap more non-power consumers, CIL is offering more frequent rounds of NRS linkages.
- **E-auction volumes to rise to 15% in Q4FY24 and in FY25.** E-auction volumes stood at 8% in Q3FY24, which was lower than the target of 15% of the total offtake. In Jan'24, the e-auction volumes increased to 13% and in Feb'24 to date, it has increased to 17% and in Q4FY24, the 15% target will be achieved. In FY25, the e-auction volume target is to the north of 15%. Higher e-auction volumes will partly offset the lower e-auction prices.
- **Volume guidance:** FY24 target of 780 MT to fall short by 10 MT to 770 MT (due to some issues at SECL). FY25 target is revised down to 838 MT from 850 MT earlier because of the build-up of stocks both at the coal mines and power plants. The 838 MT target will be reviewed again in 1st week of Apr'24. Out of the 838 MT, ~661 MT will be for the regulated power sector. The FY26 target of 1 BT is unchanged.

Sector Outlook: Cautiously positive

Company Outlook & Guidance: Capex guidance for FY24/25/26 is Rs 16,500/17,500/18,000 Cr respectively. The FY24 employee cost guidance is set at Rs 46,000 Cr, and for FY25, it is expected to remain at a similar or even lower level compared to the previous year. This is due to an anticipated 4% to 5% of employees retiring annually. The company will not take any employee cost hike in the next two years. Hence, we revise down our employee costs by 0.6%/1.6% for FY25/26E. We are revising down our e-auction premium for FY25/26 to 46%/45% from 65%/58%. Additionally, we are increasing our e-auction volumes to 13%/14% for FY25/26 from the previous estimate of 10% of our total offtake volumes of 820/880 MT (unchanged). Our lower employee cost and higher e-auction volumes largely offset the drop in e-auction premiums.

Current Valuation: 5.0 x EV/EBITDA on Adj. FY26E EBITDA (unchanged)

Current TP: Rs 510/share (Earlier TP: Rs 500/share)

Recommendation: We maintain our **BUY** rating on the stock.

Financial Performance: CIL posted robust results (reported earlier on 13th Feb'24) with EBITDA/PAT beating ours and consensus estimates. Total consolidated revenue stood at Rs 36,154 Cr (up 3%/10% YoY/QoQ), which was in line with our estimates. EBITDA stood significantly ahead of our and consensus estimate at Rs 11,373 Cr (up 9%/40% YoY/QoQ), mainly led by lower RM costs (down 41%/47% YoY/QoQ) and stable employee expenses (flat YoY, down by 1% QoQ). Attributable PAT stood at Rs 9,069 Cr, up 17%/33% YoY/QoQ, ahead of consensus by 17%, led by higher EBITDA and other income. CIL declared a 2nd interim dividend of Rs 5.25/share with 20th Feb'24 as the record date. The first interim dividend was declared in Nov'23 at Rs 15.25/share, which brings the total interim dividend for FY24 to Rs 20.5/share.

Outlook: We keep our sales volume offtake assumption unchanged at 760/820/880 MT (CIL revised target is 770/838/1,000 MT). Our earnings changes reflect the impact of higher e-auction volumes, slightly lower employee costs and lower e-auction premiums.

Valuation & Recommendation: We value the stock at 5.0x 1-year forward EV/EBITDA multiple on FY26E Adj. EBITDA (unchanged). We arrive at our target price of Rs 510/share (from Rs 500/share), implying an upside of 11% from the CMP.

Key Financials (Consolidated)

(Rs Cr)	Q3FY24	QoQ (%)	YoY (%)	Axis Est.	Variance
Net Sales	36,154	10%	3%	36,302	0%
EBITDA	11,373	40%	9%	8,472	34%
EBITDA %	31.5%			23.3%	
Adj EBITDA (Ex-OBR)	11,936	34%	6%	9,400	27%
Adj. EBITDA Margin	33.0%			25.9%	
Attrib Net Profit	9,069	33%	17%	6,706	35%
EPS (Rs/share)	14.72	33%	17%	10.88	35%

Source: Company, Axis Research

(CMP as of 19th Feb 2024)

CMP (Rs)	461
Upside /Downside (%)	11%
High/Low (Rs)	487/207
Market cap (Cr)	2,84,286
Avg. daily vol. (6m) Shrs.	1,45,83,782
No. of shares (Cr)	616

Shareholding (%)

	Jun-23	Sep-23	Dec-23
Promoter	63.13	63.13	63.13
FII	9.30	7.80	8.59
MF/UTI	9.73	11.06	10.36
Fin Institutions	0.17	0.16	0.11
Others	17.67	17.85	17.81

Financial & Valuations

Y/E Mar (Rs Cr)	FY24E	FY25E	FY26E
Net Sales	1,44,215	1,55,385	1,68,622
Adj EBITDA	44,086	47,584	55,437
Net Profit	31,801	32,393	37,472
EPS (Rs.)	51.6	52.6	60.8
PER (x)	8.9	8.8	7.6
P/BV (x)	4.1	3.4	2.9
EV/Adj EBITDA (x)	5.6	5.2	4.4
ROE (%)	50%	43%	42%

Change in Estimates (%)

Y/E Mar	FY24E	FY25E	FY26E
Sales	-1%	0%	0%
Adj EBITDA	-2%	0%	2%
Attrib PAT	-2%	0%	3%

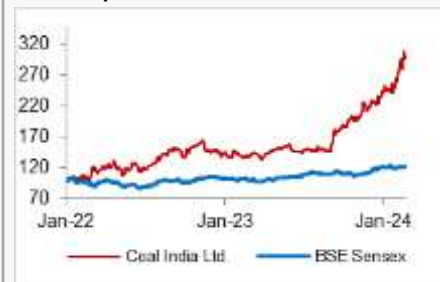
ESG disclosure Score**

Environmental Disclosure	29.0
Social Disclosure Score	37.7
Governance Disclosure	57.7
Total ESG Disclosure Score	41.5
Sector Average	50.60

Source: Bloomberg, Scale: 0.1-100

**Note: This score measures the amount of ESG data a company reports publicly and does not measure the company's performance on any data point. All scores are based on 2022 disclosures. The Sector average is for NSE500 companies

Relative performance



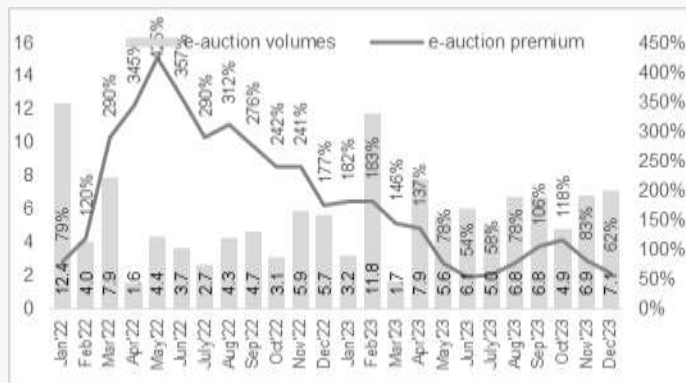
Source: ACE Equity, Axis Securities

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Key Highlights

- **Volume guidance:** Out of the 780 MT target for FY24, the company is confident of achieving 770 MT, with a shortfall of approximately 9-10 MT due to some issues at SECL. The FY25 target is revised down to 838 MT from 850 MT earlier because of the buildup of stocks both at the coal mines and power plants. The 838 MT target will be reviewed again in the 1st week of Apr'24. Out of the 838 MT, around 661 MT will be for the regulated power sector. The 1 BT target for FY26 remains unchanged.
- **E-auction** volumes stood at 8% in Q3FY24, lower than the target of 15% of the total offtake. In Jan'24, it has increased to 13%, and in Feb'24 till date, the e-auction volumes have increased to 17%. In Q4FY24, the 15% target will be achieved. In FY25, the e-auction volume target is to the north of 15%.
- **E-auction premium** in Jan-Feb'24 has come down to 36-50% (full-year average is ~80%). The e-auction premiums were earlier linked to the 4,200 kcal band of the international thermal coal prices, but with increased availability of domestic coal, the premiums are moving away from linkage. The premiums are expected to remain moderate in the range of 40-50% in the future as CIL ramps up coal volumes. In order to mitigate the impact of lower e-auction premiums, CIL has started the linkages to the Non-regulated sector (NRS) twice a year from only once a year earlier. So, to look for more non-power consumers, CIL is offering more rounds of NRS linkages and conducting them more frequently.
- **Demand:** Demand for coal will continue to rise, driven by the addition of 80 GW of thermal power plants by FY30. In FY24 and FY25, CIL plans to increase coal supply to the power sector by 50 MT annually. Additionally, CIL aims to substitute ~175-200 MT of imported coal to reduce reliance on imports. The company has also initiated the supply of high-grade coal.
- **Rare earth/lithium mines exploration:** CIL will be participating in the exploration of 3 blocks of all three critical minerals in India.
- **Capex guidance** for FY24/25/26 is Rs 16,500/17,500/18,000 Cr respectively. All Capex for the coal mines expansion will be through internal accruals and non-coal diversification Capex will be a combination of internal accruals and debt. Diversification projects include land acquisitions, FMC projects, Railway lines, Coal Gasification, and Solar projects (initially 3,000 MW).
- **Employee cost:** FY24 guidance is Rs 46,000 Cr and in FY25 it will be at a similar or even at a lower level YoY with 4% to 5% of employees retiring every year. The company will not be taking any employee cost hikes in the next two years.
- **Other key points:** The company will adopt a stripping activity accounting policy corresponding to international accounting standards and it is working on its impact on taxation and reversal of liability. It will target to achieve ~8 MT of the beneficiated washed coal by FY30

Exhibit 1: E-Auction volumes and premium: Premiums (%) will come down but volumes (MT) could improve



Source: Company, Bloomberg

Exhibit 2: Thermal Coal Prices range bound after correction

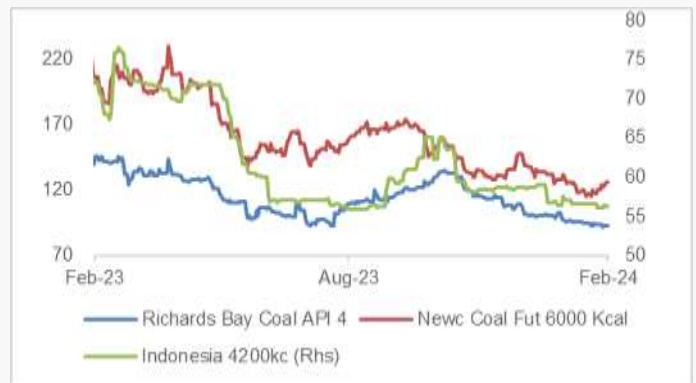


Exhibit 3: E-Auction volumes and premium: Premiums (%) will come down but volumes (MT) could improve



Source: Company, CEA, (NEP), Axis Securities

Exhibit 4: Coal requirement during the year 2026-27 and 2031-32

Coal Requirement Calculation	Unit	FY27	FY32
Coal based generation (gross)	BU	1,175	1,307
Hydro based generation (gross)	BU	217	256
Nuclear based generation (gross)	BU	78	118
Wind Generation(gross)	BU	154	258
Solar Generation(gross)	BU	339	666
Total VRE(Solar & Wind +Hydro +Nuclear)	BU	788	1,297
Shortfall: 20% reduction in VRE	BU	158	259
Total coal-based generation (coal-based generation + 20% VRE reduction)	BU	1,332	1,566
Coal Requirement	MT	895	1,054
Imported Coal requirement	MT	29	29
Domestic Coal Requirement	MT	866	1,026

Key Risks to our Estimates and TP

- The key risk to our BUY rating is the decline in E-Auction volumes vs. our expectations.
- Lower than expected e-auction premiums.
- Lower coal offtake than our assumptions for FY25/26E.

Change in Estimates

	New			Old			% Change		
	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E
Sales	1,44,215	1,55,385	1,68,622	1,45,281	1,55,694	1,68,062	-1%	0%	0%
Adj EBITDA	44,086	47,584	55,437	44,982	47,604	54,110	-2%	0%	2%
Attrib PAT	31,801	32,393	37,472	32,498	32,422	36,486	-2%	0%	3%
Coal offtake	760	821	881	760	821	881	0%	0%	0%
ASP (Rs/t)	1,739	1,732	1,751	1,751	1,736	1,745	-1%	0%	0%

Source: Company, Axis Securities

Results Review

Consolidated	Q3FY23 Actual	Q2FY24 Actual	Q3FY24 Axis Sec Est	Q3FY24 Consensus	Q3FY24 Actual	YoY %	QoQ %	QoQ vs Axis	QoQ vs Consensus
Sales Volume (mt)	176	174	191		191	9%	10%	0%	
ASP (Rs/t)	1,843	1,724	1,744			NA	NA	NA	
Net Sales/Income from operations	32,429	29,978	33,305	35,652	33,011	2%	10%	-1%	-7%
Other Operating Income	2,740	2,798	2,997		3,143	15%	12%	5%	
Total Income From Operations	35,169	32,776	36,302		36,154	3%	10%	0%	
RM Costs, purchase & increase/(Decrease) in stocks	3,563	3,960	5,683		2,094	-41%	-47%	-63%	
Contractual expense	6,264	5,524	6,796		7,246	16%	31%	7%	
Stripping activity adjustment	847	757	928		563	-33%	-26%	-39%	
Power expense	709	827	777			NA	NA	NA	
Repairs	416	458	460			NA	NA	NA	
Employee benefit expense	11,525	11,645	11,640		11,574	0%	-1%	-1%	
Other Expenses	1,458	1,469	1,546		3,304	127%	125%	114%	
Total Expenditure	24,781	24,639	27,830		24,781	0%	1%	-11%	
EBITDA	10,389	8,137	8,472	9,874	11,373	9%	40%	34%	15%
Adj EBITDA (Exl Stripping)	11,236	8,894	9,400		11,936	6%	34%	27%	
Adj EBITDA per tonne	639	511	492		625				
Depreciation & amortisation & Impairment	1,262	1,178	1,181		1,260	0%	7%	7%	
Other Income	1,585	1,984	1,632		2,203	39%	11%	35%	
Interest Expense	204	182	185		227	11%	24%	22%	
P/L Before Tax	10,508	8,760	8,737		12,089	15%	38%	38%	
Tax	2,875	2,037	2,031		3,281	14%	61%	62%	
Extra Ordinary Items						NA	NA	NA	
Net Profit/(Loss) For the Period	7,633	6,724	6,706		8,808	15%	31%	31%	
Minority Interest	36	-14	-		-25	NA	NA	NA	
Share Of P/L Of Associates	86	90	-		286	233%	218%	NA	
Net P/L After M.I & Associates	7,756	6,800	6,706	7,740	9,069	17%	33%	35%	17%
Basic EPS	12.58	11.03	10.88	12.87	14.72	17%	33%	35%	14%
EBITDA %	29.5%	24.8%	23.3%		31.5%	192	663	812	
Adj EBITDA %	31.9%	27.1%	25.9%		33.0%	107	588	712	
Tax Rate %	27%	23%	23%		27%	-21	389	389	

Source: Company, Axis Securities, Bloomberg Consensus

Financials (Consolidated)

Profit & Loss

(Rs Cr)

Y/E March	FY 23A	FY 24E	FY 25E	FY 26E
Total Income From Operations	1,38,252	1,44,215	1,55,385	1,68,622
Consumption of Raw Materials	13,557	11,908	12,736	13,819
Increase / Decrease in Stocks	(208)	720	3,400	3,400
Contractual expense	23,289	27,422	30,224	33,129
Stripping activity adjustment	3,809	3,920	4,708	5,133
Power	2,760	3,067	3,343	3,621
Repairs	1,772	1,980	2,188	2,400
Employees Cost	49,409	46,795	47,263	47,735
Other Expenses	7,046	8,237	8,649	9,081
Total Expenditure	1,01,434	1,04,049	1,12,510	1,18,318
EBITDA	36,818	40,166	42,876	50,304
Adj EBIDA (Exl Overburden)	40,820	44,086	47,584	55,437
Depreciation and Amortization	4,675	4,828	6,103	7,291
EBIT	32,143	35,338	36,773	43,013
Other Income	6,551	7,986	8,592	9,323
Share Of P/L Of Associates (Net of Tax)	(8)	352	-	-
Less: Interest & Fin Chg.	684	814	905	905
Less: Exceptional Items	-	-	-	-
Profit before tax	38,001	42,863	44,460	51,431
Provision for Tax	9,876	11,054	12,067	13,959
Minority Interest	40	(9)	-	-
Attr Reported PAT	28,165	31,801	32,393	37,472
EPS (Rs/sh)	45.7	51.6	52.6	60.8
DPS (Rs/sh)	24.3	31.0	31.5	36.5

Source: Company, Axis Securities

Balance Sheet

(Rs Cr)

Y/E March	FY 23A	FY 24E	FY 25E	FY 26E
Net Block	44,448	54,883	65,280	74,990
CWIP	15,263	16,500	17,000	17,000
Intangible assets	4,947	4,947	4,947	4,947
Investments	7,139	7,139	7,139	7,139
Inventories	8,155	8,506	9,165	9,946
Trade Receivables	13,060	13,624	14,679	15,929
Cash / Bank balance	39,922	40,071	41,108	45,174
Misc. Assets	78,272	78,272	78,272	78,272
Total assets	2,11,207	2,23,943	2,37,591	2,53,398
Equity capital	6,163	6,163	6,163	6,163
Reserves	51,082	63,459	76,416	91,404
Borrowings	4,115	4,115	4,115	4,115
Def Tax Liabilities	1,331	1,331	1,331	1,331
Other Liabilities	56,176	56,167	56,167	56,167
Provisions	83,791	83,791	83,791	83,791
Trade Payables	8,549	8,918	9,609	10,427
Capital employed	2,11,207	2,23,943	2,37,591	2,53,398

Source: Company, Axis Securities

Cash Flow

(Rs Cr)

Y/E March	FY 23A	FY 24E	FY 25E	FY 26E
Profit before tax	38,001	42,855	44,460	51,431
Depreciation	4,675	4,828	6,103	7,291
Interest Expenses	684	814	905	905
Non-operating / EO item	(533)	(352)	-	-
Change in W/C	2,609	(546)	(1,023)	(1,213)
Income Tax (Paid)/Refund	(9,750)	(11,054)	(12,067)	(13,959)
Operating Cash Flow	35,686	36,543	38,377	44,455
Capital Expenditure	(14,209)	(16,500)	(17,000)	(17,000)
Free cash Flow	21,477	20,043	21,377	27,455
Other Investments	(9,214)	-	-	-
Investing Cash Flow	(23,423)	(16,500)	(17,000)	(17,000)
Proceeds / (Repayment) of Borrowings	805	-	-	-
Finance cost paid	(138)	(814)	(905)	(905)
Dividend paid	(14,328)	(19,080)	(19,436)	(22,483)
Other Financing activities	-	-	-	-
Financing Cash Flow	(13,661)	(19,894)	(20,341)	(23,388)
Change in Cash	(1,398)	149	1,036	4,067
Opening Cash	7,063	5,665	5,815	6,851
Closing Cash	5,665	5,815	6,851	10,918

Source: Company, Axis Securities

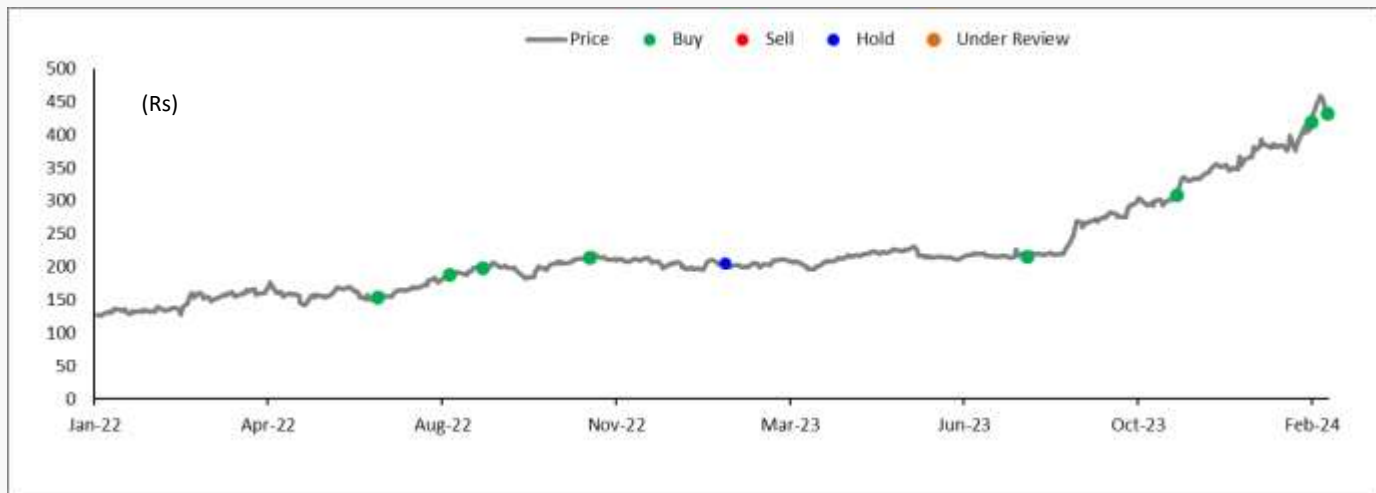
Ratio Analysis

(%)

Y/E March	FY 23A	FY 24E	FY 25E	FY 26E
Operational Ratios				
Sales growth (% YoY)	26%	4%	8%	9%
EBITDA growth (% YoY)	43%	8%	8%	17%
Op. profit growth (% YoY)	59%	10%	4%	17%
Net Profit growth (% YoY)	62%	13%	2%	16%
EBITDA Margin %	30%	31%	31%	33%
Net profit Margin %	20%	22%	21%	22%
Tax Rate %	26%	26%	27%	27%
Efficiency Ratios				
Total Asset Turnover (x)	0.7	0.7	0.7	0.7
Sales/Gross block (x)	2.1	1.9	1.7	1.5
Sales/Net block(x)	3.2	2.9	2.6	2.4
Working capital/Sales (x)	(0.00)	(0.00)	0.01	0.01
Valuation Ratios				
PER (x)	4.4	8.9	8.8	7.6
P/BV (x)	2.2	4.1	3.4	2.9
EV/Adj Ebitda (x)	6.1	5.6	5.2	4.4
EV/Sales (x)	1.8	1.7	1.6	1.4
Dividend Yield (%)	12%	7%	7%	8%
Return Ratios				
ROE	56.1%	50.1%	42.6%	41.6%
ROCE	24.4%	23.9%	22.9%	24.6%
ROIC	111.0%	77.7%	58.8%	55.5%

Source: Company, Axis Securities

Coal India Price Chart and Recommendation History



Source: Axis Securities

Date	Reco	TP	Research
27-Jun-22	BUY	220	Initiating Coverage
11-Aug-22	BUY	245	Result Update
01-Sep-22	BUY	262	Top Picks
01-Oct-22	BUY	262	Top Picks
07-Nov-22	BUY	275	Result Update
01-Feb-23	HOLD	245	Result Update
08-May-23	BUY	275	Result Update
09-Aug-23	BUY	270	Result Update
13-Nov-23	BUY	380	Result Update
13-Feb-24	BUY	500	Result Update
20-Feb-24	BUY	510	Result Update

Source: Axis Securities

About the Analyst



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Sector: Automobiles

Analyst Bio: Aditya Welekar is a PGDBM in Finance with 12 years of experience in Equity Market/Research.

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Ratings	Expected absolute returns over 12-18 months
BUY	More than 10%
HOLD	Between 10% and -10%
SELL	Less than -10%
NOT RATED	We have forward looking estimates for the stock, but we refrain from assigning valuation and recommendation
UNDER REVIEW	We will revisit our recommendation, valuation and estimates on the stock following recent events
NO STANCE	We do not have any forward-looking estimates, valuation or recommendation for the stock

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