

# Coal India

Estimate change



TP change



Rating change



Bloomberg	COAL IN
Equity Shares (m)	6207
M.Cap.(INRb)/(USD\$)	2838.6 / 34
52-Week Range (INR)	488 / 223
1, 6, 12 Rel. Per (%)	3/30/70
12M Avg Val (INR M)	4233

## Financials & Valuations (INR b)

Y/E MARCH	2024	2025E	2026E
Sales	1,423	1,497	1,694
Adj. EBITDA	418	445	541
Adj. PAT	374	344	407
EBITDA Margin (%)	29.4	29.7	31.9
Cons. Adj. EPS (INR)	60.7	55.9	66.0
EPS Gr. (%)	17.8	-7.9	18.1
BV/Sh. (INR)	134	161	194

## Ratios

Net D:E	-0.3	-0.3	-0.3
RoE (%)	45.2	34.6	34.1
RoCE (%)	50.2	36.5	35.9
Payout (%)	42.0	50.0	50.0

## Valuations

P/E (x)	7.6	8.2	7.0
P/BV (x)	3.4	2.8	2.4
EV/EBITDA(x)	6.1	5.8	4.6
Div. Yield (%)	5.5	6.1	7.2
FCF Yield (%)	0.5	4.4	8.4

## Shareholding pattern (%)

As On	Mar-24	Dec-23	Mar-23
Promoter	63.1	63.1	66.1
DII	23.3	23.2	21.1
FII	8.4	8.6	7.8
Others	5.2	5.1	4.9

CMP: INR461

TP: INR530 (+15%)

Buy

## Operational performance in line; outlook bright

- 4QFY24 revenue stood at INR374b (-2% YoY/+4% QoQ), in line with our est. of INR376b. Blended ASP was INR1,699/t (-9% YoY/-2% QoQ), largely in line with our estimate.
- Adj. EBITDA (net of OBR) stood at INR98b (+14% YoY/-17% QoQ) in 4Q, in line with our est. of INR95b. EBITDA/t stood at INR488 (+6% YoY/-22% QoQ), vs. our est. of INR472, as lower costs led to improvement in operating performance.
- APAT stood at INR87b (+26% YoY/-14% QoQ) vs. our est. of INR68b. The beat was due to a change in OBR accounting. The company in Feb'24 approved the change in accounting policy on stripping activity, which the group was consistently following in the case of opencast mining with a rated capacity of 1MTPA or more. In 4Q, the company provided for the impact of this change and restated previous financials.
- In 4Q, production stood at 242mt (+8% YoY/+22% QoQ) and dispatches came in at 201mt (+8% YoY/+5% QoQ). SECL/MCL led the pack with dispatches of 48mt/53mt, representing ~50% of total dispatches.
- Apart from NCL and WCL, all the other subsidiaries saw production growth YoY, with ECL clocking the highest sales growth of +55% YoY in 4Q.
- FSA realization came in as expected at INR1,536/t (-1% YoY/flat QoQ) in 4Q. E-auction volumes stood at 23mt vs. 32mt. E-auction premium in 4Q stood at 66% (higher than our est. of 53% and lower than 117% premium in 3Q).
- COAL declared a final dividend of INR5 per share, taking the total dividend for FY24 to INR25.5 per share.
- In FY24, revenue stood at INR1,423b (+3% YoY), adj. EBITDA came in at INR418b (+3% YoY), and APAT stood at INR374b (+18% YoY). Production/dispatches grew 10%/6% YoY to 774mt/753mt. The blended ASP declined 6% YoY to INR 1734/t in FY24.

## Valuation and view

- COAL supplies ~90% of its production to the power sector (including CPPs) and thermal power accounts for +80% of total power generated in India.
- To meet the increasing coal requirements of the power sector, COAL has made a long-term commitment via FSA agreements and BLCs. It targets to achieve a production of 838mt in FY25, with dispatches under e-auction at ~15% of total volumes.
- With a robust volume outlook, healthy e-auction premiums, and lower costs, the outlook for COAL remains positive. We maintain our revenue/EBITDA estimates for FY25/FY26. The stock is trading at 4.4x FY26E EV/EBITDA. We reiterate our BUY rating with a revised TP of INR530 per share, valuing the stock at 5.3x FY26E EV/EBITDA.
- COAL remains our top pick in the metals and mining sector.**

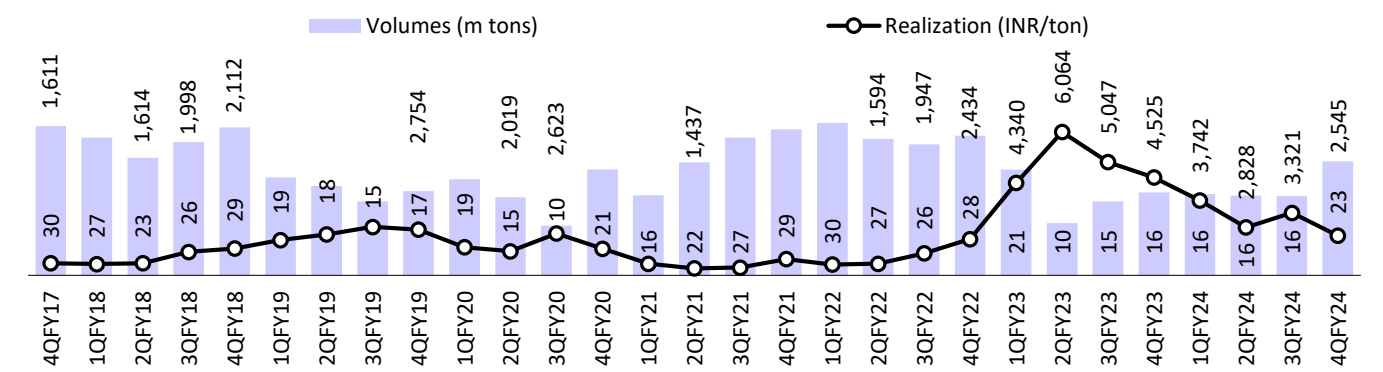
## Consolidated quarterly performance (INR b)

Y/E March	FY23				FY24				FY23	FY24	FY24	Var. (%)
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q			4QE	
<b>Sales</b>	<b>351</b>	<b>298</b>	<b>352</b>	<b>382</b>	<b>360</b>	<b>328</b>	<b>362</b>	<b>374</b>	<b>1,383</b>	<b>1,423</b>	<b>376</b>	<b>0</b>
Change YoY (%)	38.8	28.1	23.7	16.6	2.5	9.8	2.8	-1.9	26.0	2.9		
Change QoQ (%)	7.3	-15.0	17.9	8.5	-5.7	-8.9	10.3	3.5				
<b>Adj. EBITDA</b>	<b>127</b>	<b>80</b>	<b>112</b>	<b>86</b>	<b>112</b>	<b>89</b>	<b>119</b>	<b>98</b>	<b>406</b>	<b>418</b>	<b>95</b>	<b>3</b>
Change YoY (%)	177.6	99.9	52.1	-30.8	-12.4	10.9	6.2	14.0	42.8	3.0		
Change QoQ (%)	2.1	-37.0	40.1	-23.2	29.3	-20.3	34.2	-17.5				
<b>EBITDA per ton</b>	<b>717</b>	<b>519</b>	<b>639</b>	<b>461</b>	<b>597</b>	<b>512</b>	<b>624</b>	<b>488</b>	<b>584</b>	<b>555</b>	<b>472</b>	<b>3</b>
Depreciation	10	11	13	19	11	12	16	20	68	67	14	
OBR	5	7	8	(7)	6	8	(11)	(15)	(36)	(61)	10	
Interest	2	1	2	2	2	2	2	2	7	8	3	
Other Income	10	18	16	22	15	20	22	22	66	80	22	
EO Inc/(Exp)	-	-	-	-	-	-	-	-	-	-		
<b>PBT after EO</b>	<b>121</b>	<b>78</b>	<b>105</b>	<b>95</b>	<b>107</b>	<b>88</b>	<b>133</b>	<b>114</b>	<b>433</b>	<b>484</b>	<b>91</b>	<b>25</b>
Tax	32	16	29	27	28	20	35	28	116	114		
Tax Rate (%)	26.8	21.0	27.4	28.4	25.8	23.2	26.1	24.6	26.7	23.7		
<b>PAT before MI &amp; Asso.</b>	<b>89</b>	<b>62</b>	<b>76</b>	<b>68</b>	<b>80</b>	<b>67</b>	<b>99</b>	<b>86</b>	<b>317</b>	<b>369</b>	<b>68</b>	<b>26</b>
MI	0	0	(0)	(0)	(0)	0	0	(0)	(0)	(0)		
Sh. of Assoc.	(0)	(1)	1	1	(0)	1	3	1	(0)	4	1	
<b>PAT After MI &amp; Asso.</b>	<b>88</b>	<b>60</b>	<b>78</b>	<b>69</b>	<b>80</b>	<b>68</b>	<b>101</b>	<b>87</b>	<b>318</b>	<b>374</b>	<b>68</b>	
<b>Adjusted PAT</b>	<b>88</b>	<b>60</b>	<b>78</b>	<b>69</b>	<b>80</b>	<b>68</b>	<b>101</b>	<b>87</b>	<b>318</b>	<b>374</b>	<b>68</b>	<b>27</b>
Change YoY (%)	178.3	105.7	70.1	2.5	-9.8	12.5	30.6	26.3	82.8	17.8		
Change QoQ (%)	31.7	-31.6	28.3	-11.4	15.9	-14.7	49.0	-14.3				

Source: MOFSL, Company

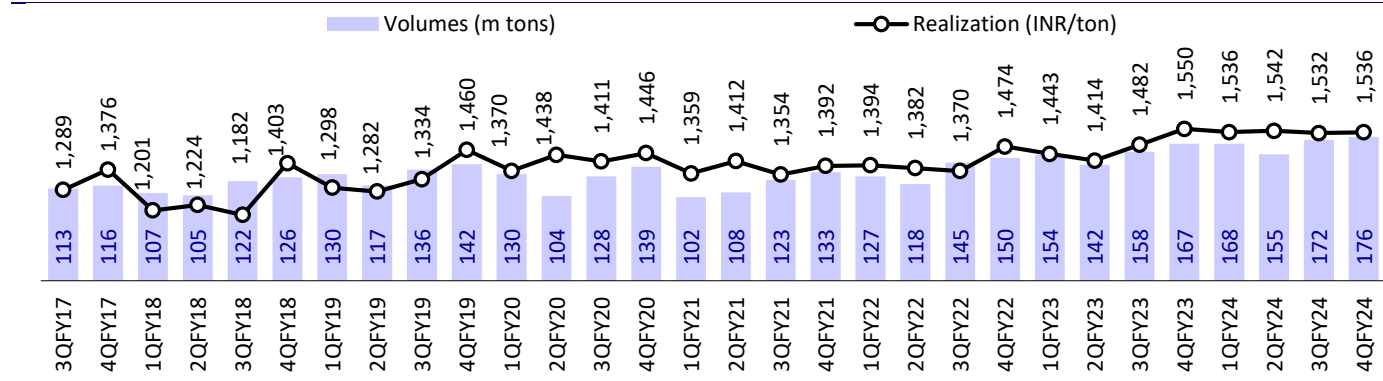
Note - COAL has opted for a change in accounting policy on stripping activity (OBR expense), which it was following in the case of opencast mining with a rated capacity of 1MTPA or more. In 4QFY24, COAL provided for the effect of this change and restated previous financials.

## Exhibit 1: E-auction realizations softened in 4QFY24 after surge in 3QFY24

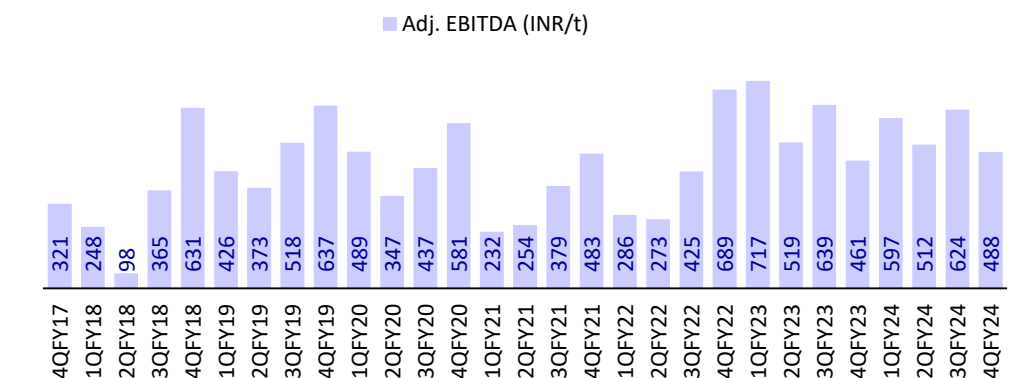


Source: MOFSL, Company

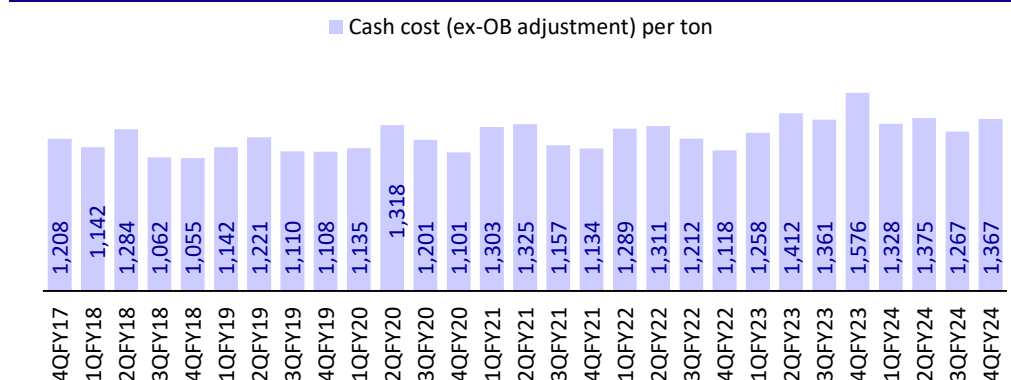
## Exhibit 2: FSA volumes and realizations flat sequentially



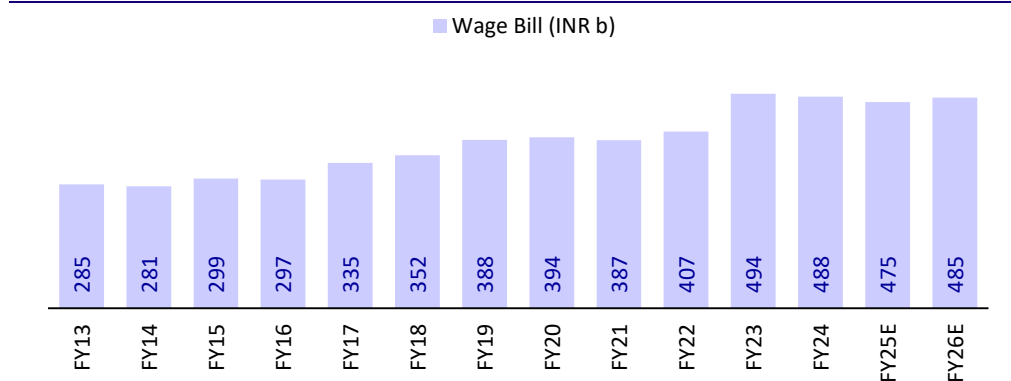
Source: MOFSL, Company

**Exhibit 3: Adj. EBITDA/t moderated QoQ with softening in e-auction premiums**

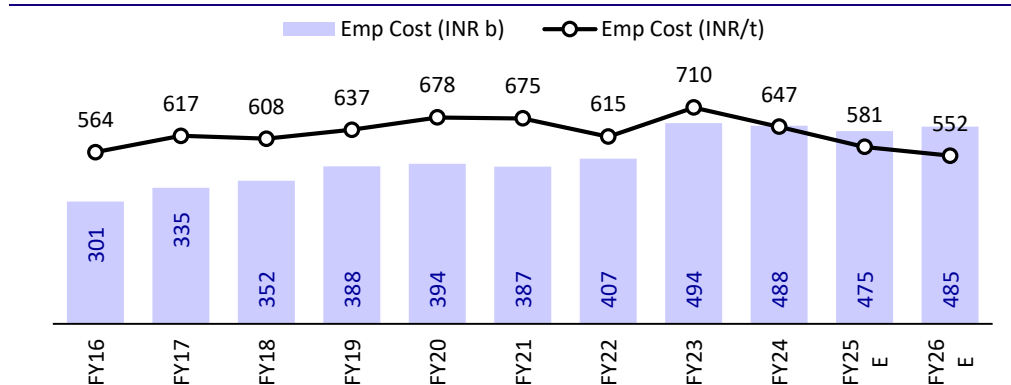
Source: MOFSL, Company

**Exhibit 4: Adjusted cash cost increased by INR 100/t QoQ during the quarter**

Source: MOFSL, Company

**Exhibit 5: Wage bill (employee expenses) has now stabilized after a sudden surge in FY23 due to higher NCWA-XI wage provisions**

Source: MOFSL, Company

**Exhibit 6: Employee cost/t is expected to reduce in FY25 and remain stable thereafter**

Source: MOFSL, Company

**Exhibit 7: Key assumptions and changes to our estimates**

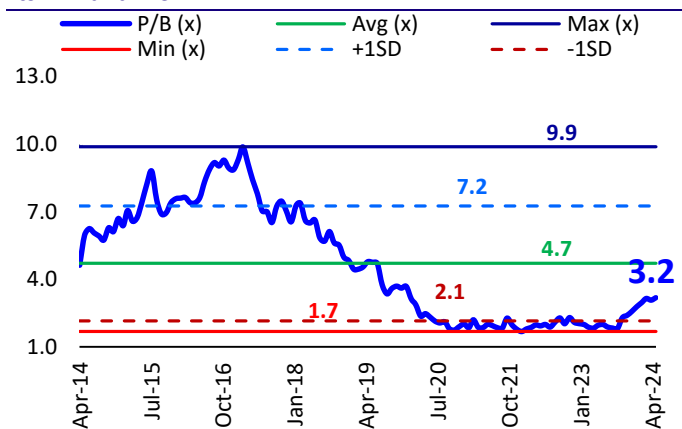
Particulars	UoM	FY25E			FY26E		
		New	Old	% change	New	Old	% change
Production	mt	817	817	0.0	880	880	0.0
Dispatch	mt	817	817	0.0	880	880	0.0
- FSA	mt	698	698	0.0	736	736	0.0
- E-auction	mt	92	92	0.0	108	108	0.0
ASP							
- Blended	INR/t	1,722	1,722	0.0	1,815	1,815	0.0
- FSA	INR/t	1,567	1,567	0.0	1,599	1,599	0.0
- E-auction	INR/t	2,492	2,492	0.0	2,606	2,606	0.0
- E-auction premium	INR/t	59%	59%		63%	63%	
Revenue	INR b	1,497	1,497	0.0	1,694	1,694	0.0
Adj EBITDA	INR b	445	445	0.0	541	541	0.0
PAT	INR b	344	306	12.7	407	366	11.2

Source: MOFSL, Company

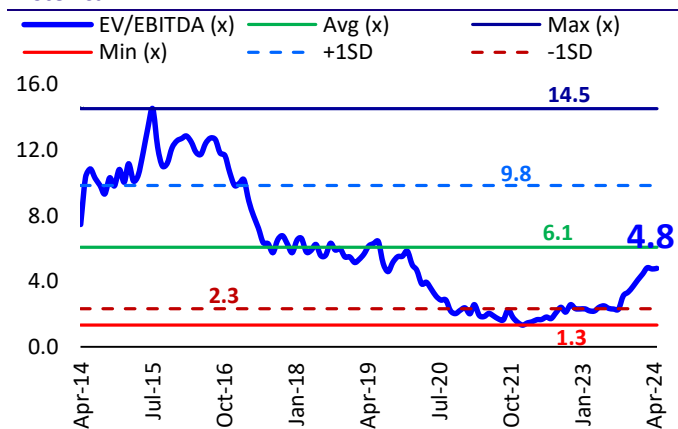
**Exhibit 8: Valuation remains attractive as demand for COAL remains strong**

Target Price calculations	UoM	FY26E
Adjusted EBITDA	INR b	541
Target EV/EBITDA (x)	x	5.3
Target EV	INR b	2,890
Net debt	INR b	(346)
Equity value	INR b	3,236
<b>TP</b>		<b>530</b>

Source: MOFSL, Company

**Exhibit 9: COAL's P/B multiple remains cheap and between its LTA and -1SD**

Source: MOFSL, Company

**Exhibit 10: Even the EV/EBITDA multiple is below its historical LTA**

Source: MOFSL, Company

## Financials and valuations

Income Statement									(INR b)	
Y/E March	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E
<b>Net Sales</b>	<b>784</b>	<b>859</b>	<b>995</b>	<b>961</b>	<b>900</b>	<b>1,097</b>	<b>1,383</b>	<b>1,423</b>	<b>1,497</b>	<b>1,694</b>
Change (%)	0.5	9.6	15.9	-3.5	-6.3	21.9	26.0	2.9	5.2	13.2
Operating Expenses	660	689	746	742	715	850	940	944	1,012	1,109
<b>EBITDA</b>	<b>124</b>	<b>170</b>	<b>250</b>	<b>219</b>	<b>186</b>	<b>247</b>	<b>442</b>	<b>480</b>	<b>485</b>	<b>585</b>
<b>Adjusted EBITDA</b>	<b>151</b>	<b>203</b>	<b>300</b>	<b>275</b>	<b>200</b>	<b>285</b>	<b>406</b>	<b>418</b>	<b>445</b>	<b>541</b>
adj. EBITDA/ton	277	350	494	473	349	430	584	555	545	615
Depreciation	29	31	35	35	37	44	68	67	81	96
Interest	4	4	3	5	6	5	7	8	10	11
Other Income	55	47	59	61	38	39	66	80	61	59
Extra Ordinary exp (inc)	0	74	0	0	0	0	0	0	0	0
<b>PBT after EO</b>	<b>146</b>	<b>107</b>	<b>271</b>	<b>241</b>	<b>180</b>	<b>236</b>	<b>433</b>	<b>484</b>	<b>454</b>	<b>536</b>
Tax	52	37	97	74	53	62	116	114	114	135
Rate (%)	35.4	34.6	35.6	30.6	29.5	26.4	26.7	23.7	25.2	25.2
<b>PAT (before MI and Sh. of Asso.)</b>	<b>94</b>	<b>70</b>	<b>175</b>	<b>167</b>	<b>127</b>	<b>174</b>	<b>317</b>	<b>369</b>	<b>340</b>	<b>401</b>
Minority Interest	0	0	0	0	0	0	0	0	0	0
<b>Reported PAT (after MI and Sh. of Asso.)</b>	<b>94</b>	<b>70</b>	<b>175</b>	<b>167</b>	<b>127</b>	<b>174</b>	<b>318</b>	<b>374</b>	<b>344</b>	<b>407</b>
Change (%)	-34.1	-25.5	148.8	-4.3	-24.0	36.7	83.0	17.8	-7.9	18.1
<b>Adjusted PAT</b>	<b>94</b>	<b>119</b>	<b>175</b>	<b>167</b>	<b>127</b>	<b>174</b>	<b>318</b>	<b>374</b>	<b>344</b>	<b>407</b>
Change (%)	-34.1	26.3	46.8	-4.3	-24.0	36.7	83.0	17.8	-7.9	18.1

Balance Sheet									(INR b)	
Y/E March	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E
Share Capital	62	62	62	62	62	62	62	62	62	62
Reserves	183	136	203	260	304	370	547	766	933	1,131
<b>Net Worth</b>	<b>245</b>	<b>198</b>	<b>265</b>	<b>322</b>	<b>365</b>	<b>431</b>	<b>608</b>	<b>827</b>	<b>995</b>	<b>1,193</b>
Minority Interest	3	4	4	4	4	7	8	9	9	9
Loans	30	15	22	64	59	33	41	63	68	70
Deferred tax Liability	-27	-54	-43	-33	-41	-41	-28	-32	-32	-32
<b>Capital Employed</b>	<b>251</b>	<b>164</b>	<b>248</b>	<b>357</b>	<b>388</b>	<b>430</b>	<b>629</b>	<b>867</b>	<b>1,039</b>	<b>1,239</b>
<b>Gross Fixed Assets</b>	<b>277</b>	<b>326</b>	<b>402</b>	<b>474</b>	<b>565</b>	<b>792</b>	<b>896</b>	<b>1,074</b>	<b>1,240</b>	<b>1,425</b>
Less: Depreciation	56	85	116	150	187	232	300	367	448	544
<b>Net Fixed Assets</b>	<b>221</b>	<b>241</b>	<b>286</b>	<b>323</b>	<b>378</b>	<b>561</b>	<b>596</b>	<b>706</b>	<b>792</b>	<b>881</b>
Capital Work in Progress	103	138	137	128	151	168	225	240	259	259
Investments	0	3	5	9	23	24	31	39	44	49
<b>Current Assets</b>	<b>809</b>	<b>839</b>	<b>857</b>	<b>1,007</b>	<b>1,025</b>	<b>1,141</b>	<b>1,344</b>	<b>1,360</b>	<b>1,426</b>	<b>1,649</b>
Inventory	89	64	56	66	89	71	82	102	111	126
Debtors	107	87	55	144	196	114	131	133	148	167
Other Current Assets	285	351	392	490	524	589	688	787	827	936
Loans and Advances	0	10	16	11	6	4	4	4	4	4
Cash (incl. bank balance)	327	326	338	295	209	365	440	335	336	416
<b>Current Liabilities</b>	<b>882</b>	<b>1,058</b>	<b>1,037</b>	<b>1,110</b>	<b>1,189</b>	<b>1,464</b>	<b>1,567</b>	<b>1,478</b>	<b>1,481</b>	<b>1,597</b>
Payables	39	45	68	101	76	86	85	84	88	100
Other current liabilities	843	1,012	968	1,009	1,113	1,378	1,482	1,394	1,393	1,498
<b>Net Curr. Assets</b>	<b>-73</b>	<b>-218</b>	<b>-179</b>	<b>-104</b>	<b>-164</b>	<b>-322</b>	<b>-223</b>	<b>-118</b>	<b>-55</b>	<b>51</b>
<b>Application of Funds</b>	<b>251</b>	<b>164</b>	<b>248</b>	<b>357</b>	<b>388</b>	<b>430</b>	<b>629</b>	<b>867</b>	<b>1,039</b>	<b>1,239</b>

E: MOFSL Estimates

## Financials and valuations

### Ratios

Y/E March	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E
<b>Basic</b>										
<b>Adjusted EPS</b>	15.2	19.2	28.3	27.1	20.6	28.2	51.5	60.7	55.9	66.0
Cash EPS	19.9	24.1	33.9	32.7	26.6	35.4	62.6	71.6	69.0	81.5
Book Value	39.5	32.0	42.9	52.2	59.3	70.0	98.7	134.2	161.4	193.6
DPS	19.9	16.5	13.1	12.0	16.0	17.0	24.3	25.5	27.9	33.0
Payout (incl. Div. Tax.)	160.3	103.3	46.2	44.4	77.6	60.4	47.1	42.0	50.0	50.0
<b>Valuation (x)</b>										
P/E	30.3	24.0	16.2	17.0	22.3	16.3	8.9	7.6	8.2	7.0
Cash P/E	23.2	19.1	13.6	14.1	17.3	13.0	7.3	6.4	6.7	5.6
P/BV	11.6	14.4	10.7	8.8	7.8	6.6	4.7	3.4	2.8	2.4
EV/Adj. EBITDA	17.0	12.5	8.4	9.5	13.4	8.8	6.0	6.1	5.8	4.6
Dividend Yield (%)	4.3	3.6	2.8	2.6	3.5	3.7	5.3	5.5	6.1	7.2
<b>Turnover Ratios</b>										
Debtor (Days)	50.0	36.9	20.2	54.7	79.6	37.8	34.5	34.0	36.0	36.0
Inventory (Days)	41.7	27.4	20.5	25.1	36.3	23.5	21.5	26.1	27.1	27.1
Payables (Days)	18.2	19.2	25.0	38.4	31.0	28.6	22.6	21.5	21.5	21.5
Asset turnover(x)	3.1	5.2	4.0	2.7	2.3	2.6	2.2	1.6	1.4	1.4
<b>Profitability Ratios (%)</b>										
Adj. EBITDA Margin	19.2	23.7	30.2	28.6	22.2	25.9	29.4	29.4	29.7	31.9
APAT Margin	12.0	13.9	17.5	17.4	14.1	15.8	23.0	26.3	23.0	24.0
RoE	38.4	35.4	66.0	52.0	34.8	40.2	52.2	45.2	34.6	34.1
RoCE (post tax)	32.7	58.4	85.7	56.4	35.4	43.5	60.9	50.2	36.5	35.9
<b>Leverage Ratio</b>										
Net Debt/Equity (x)	-1.2	-1.6	-1.2	-0.7	-0.4	-0.8	-0.7	-0.3	-0.3	-0.3

### Cash Flow Statement

(INR b)

Y/E March	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E
<b>Adj EBITDA*</b>	<b>151</b>	<b>203</b>	<b>300</b>	<b>275</b>	<b>200</b>	<b>285</b>	<b>406</b>	<b>418</b>	<b>445</b>	<b>541</b>
(Inc)/Dec in WC	60	138	-49	-123	-56	175	27	-162	-62	-27
Taxes paid	-89	-74	-95	-119	-57	-63	-97	-117	-114	-135
Others	37	-55	11	10	19	15	22	42	40	43
<b>CF from Operations</b>	<b>158</b>	<b>213</b>	<b>167</b>	<b>41</b>	<b>106</b>	<b>411</b>	<b>357</b>	<b>181</b>	<b>308</b>	<b>423</b>
Capex	-87	-85	-73	-56	-109	-120	-152	-167	-185	-185
<b>Free Cash Flow</b>	<b>72</b>	<b>127</b>	<b>94</b>	<b>-15</b>	<b>-3</b>	<b>291</b>	<b>205</b>	<b>14</b>	<b>123</b>	<b>238</b>
(Pur)/Sale of Investments	0	-3	-1	-5	-8	-8	-7	-3	-5	-5
Interest/dividend	35	24	31	35	22	11	27	29	61	59
Other investing activity	57	-12	-39	29	96	-140	-103	97	0	0
<b>CF from Investments</b>	<b>5</b>	<b>-77</b>	<b>-83</b>	<b>3</b>	<b>2</b>	<b>-257</b>	<b>-235</b>	<b>-45</b>	<b>-129</b>	<b>-131</b>
Equity raised/(repaid)	-46	0	0	0	0	0	0	0	0	0
Debt raised/(repaid)	18	-15	7	23	-6	-26	8	15	5	2
Interest paid	0	0	0	-1	-2	-1	-2	-3	-10	-11
Dividend (incl. tax)	-151	-123	-112	-97	-77	-108	-143	-151	-172	-203
Other financing	3	3	4	5	0	0	0	0	0	0
<b>CF from Fin. Activity</b>	<b>-176</b>	<b>-136</b>	<b>-102</b>	<b>-70</b>	<b>-85</b>	<b>-134</b>	<b>-137</b>	<b>-139</b>	<b>-177</b>	<b>-212</b>
<b>Inc/Dec of Cash</b>	<b>-13</b>	<b>0</b>	<b>-17</b>	<b>-25</b>	<b>23</b>	<b>20</b>	<b>-14</b>	<b>-3</b>	<b>2</b>	<b>79</b>
Add: Beginning Cash Balance	83	70	70	53	28	51	71	56	53	55
Closing cash Balance	70	70	53	28	51	71	56	53	55	134
Bank Balance	257	257	286	267	158	294	383	281	281	281
<b>Closing Balance (incl. bank bal.)</b>	<b>327</b>	<b>326</b>	<b>338</b>	<b>295</b>	<b>209</b>	<b>365</b>	<b>440</b>	<b>335</b>	<b>336</b>	<b>416</b>

E: MOFSL Estimates

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Explanation of Investment Rating	
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