

Coal India

India | Utilities | Result Update



Subdued Q3

27 January 2025

Coal India (COAL IN) reported marginal growth in production and offtake in Q3FY25, with coal production rising 1.5% YoY to 202MT and offtake increasing 1.7% YoY to 194MT. For 9MFY25, production grew 2% YoY to 543MT, while offtake rose 2% YoY to 560MT. Revenue declined 1% YoY to INR 357bn, and PAT fell 18% YoY to INR 85bn, impacted by lower realizations in both FSA and e-auction segments amid declining international coal prices. EBITDA dropped 5% YoY with margins contracting to 34%. COAL is unlikely to meet its FY25 production target of 838MT, given the current growth rate. Although COAL aims to achieve 1,000MT production by FY26 to support the government's 24x7 power supply goal, execution remains a key monitorable.

Coal production and offtake up marginally: Coal production in Q3FY25 rose 1.5% YoY to 202MT. Coal offtake increased 1.7% YoY to 194MT. Coal production has increased 2% YoY to 543MT in 9MFY25. Coal offtake increased 2% YoY to 560MT in 9MFY25. The fuel supply agreement(FSA) volumes were down 0.9% YoY to 171MT. e-auction volumes increased 22% YoY to 19.2MT. e-auction volumes constituted 11% of the overall volumes in Q3FY25.

Tepid production and lower realization hit earnings: COAL's revenue declined 1% YoY to INR 357bn. Employee benefit expenses dropped 3% YoY to INR 112bn. EBITDA declined 5% YoY to INR 123bn. Operating margin contracted to 34% in Q3FY25 versus 36% in Q3FY24. Depreciation increased 46% YoY to INR 25bn. Interest cost declined marginally to INR 2.2bn. Other income declined 3% YoY to INR 21bn. Reported PAT dropped 18% YoY to INR 85bn. The realization for FSA declined 1.2% YoY to INR 1,514/tonne. e-auction realization declined 20% YoY to INR 2,671/tonne on moderation in international coal prices. e-auction premium stood at 76% in Q3FY25.

COAL likely to miss volume guidance for FY25: The management has guided for coal production of 838MT in FY25. Coal production has increased by a tepid 2% YoY to 543MT in 9MFY25. With current rate of execution, we anticipate that COAL will likely miss its volume guidance for FY25. The government has set a target to ensure 24x7 power supply for all by CY25. The management has set an ambitious goal to reach production volume of 1,000mn tonnes by FY26.

Maintain Buy with a lower TP of INR 499: We remain positive on COAL in the long term given: 1) increasing acceptability of coal as a dominant fuel mix and good volume delivery for the past few quarters, 2) better evacuation infrastructure in terms of first-mile connectivity projects, 3) healthy balance sheet, and 4) likely annual dividend payout of INR 23-25/share, implying a 6% yield. We maintain Buy with a lower TP of INR 499 from INR 572 on 5x (unchanged) FY27E EV/EBITDA. We have reduced our target price, factoring in lower-than-expected growth in coal volumes and moderation in e-auction premium.

Key Financials

YE March	FY23	FY24	FY25E	FY26E	FY27E
Revenue (INR mn)	1,382,519	1,423,240	1,463,344	1,550,067	1,620,274
YoY (%)	26.0	2.9	2.8	5.9	4.5
EBITDA (INR mn)	442,402	479,715	483,978	527,861	543,384
EBITDA margin (%)	32.0	33.7	33.1	34.1	33.5
Adj PAT (INR mn)	317,230	373,691	352,672	388,166	392,205
YoY (%)	82.5	17.8	-5.6	10.1	1.0
Fully DEPS (INR)	51.5	59.9	57.2	63.0	63.6
RoE (%)	52.2	44.7	34.7	31.4	27.0
RoCE (%)	57.6	46.3	36.9	33.2	28.5
P/E (x)	4.1	6.3	6.6	6.0	5.9
EV/EBITDA (x)	2.4	5.0	5.2	4.8	4.0

Note: Pricing as on 27 January 2025; Source: Company, Elara Securities Estimate

Rating: [Buy](#)

Target Price: [INR 499](#)

Upside: [33%](#)

CMP: [INR 376](#)

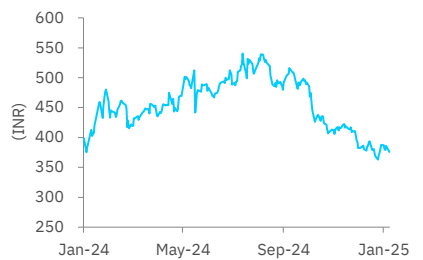
As on 27 January 2025

Key data

Bloomberg	COAL IN
Reuters Code	COALNS
Shares outstanding (mn)	6163
Market cap (INR bn/USD mn)	2316/26830
Enterprise Value (INR bn/USD mn)	2029/23506
Avg daily volume 3M (INR mn/USD mn)	3696/43
52 week high/low	545/361
Free float (%)	37

Note: as on 27 January 2025; Source: Bloomberg

Price chart



Source: Bloomberg

Shareholding (%)	Q4 FY24	Q1 FY25	Q2 FY25	Q3 FY25
Promoter	63.1	63.1	63.1	63.1
% Pledged	-	-	-	-
FII	8.4	8.4	9.2	8.6
DII	23.2	23.2	22.6	22.6
Others	5.3	5.3	5.1	5.7

Source: BSE

Price performance (%)	3M	6M	12M
Nifty	(5.6)	(8.1)	6.9
Coal India	(18.5)	(26.3)	(3.5)
NSE Mid-cap	(6.3)	(10.3)	9.7
NSE Small-cap	(8.6)	(13.5)	5.8

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Financials (YE March)

Income Statement (INR mn)	FY23	FY24	FY25E	FY26E	FY27E
Net Revenues	1,382,519	1,423,240	1,463,344	1,550,067	1,620,274
EBITDA	442,402	479,715	483,978	527,861	543,384
Add:- Non operating Income	65,598	79,691	83,070	87,997	91,968
OPBITDA	508,000	559,406	567,048	615,859	635,352
Less :- Depreciation & Amortization	68,329	67,354	88,478	99,245	113,445
EBIT	439,671	492,052	478,570	516,613	521,906
Less:- Interest Expenses	6,843	8,194	8,340	7,876	7,876
PBT	432,827	483,858	470,230	508,737	514,030
Less :- Taxes	115,516	114,435	117,557	120,571	121,825
Adjusted PAT	317,230	373,691	352,672	388,166	392,205
Reported PAT	317,230	373,691	352,672	388,166	392,205
Balance Sheet (INR mn)	FY23	FY24	FY25E	FY26E	FY27E
Share Capital	61,627	61,627	61,627	61,627	61,627
Reserves	546,802	765,671	955,031	1,173,722	1,390,289
Borrowings	41,063	56,172	56,258	56,258	56,258
Other liabilities	887,328	882,511	812,951	750,663	685,499
Total Liabilities	1,536,820	1,765,980	1,885,866	2,042,270	2,193,673
Gross Block	773,207	1,058,877	1,153,068	1,328,068	1,508,068
Less:- Accumulated Depreciation	253,598	329,377	417,854	517,100	630,545
Net Block	570,345	679,004	735,213	810,968	877,523
Add:- Capital work in progress	152,626	147,387	175,000	180,000	180,000
Investments	30,854	38,593	48,593	48,593	48,593
Net Working Capital	393,351	428,092	319,017	280,048	656,683
Other Assets	389,645	472,905	608,042	722,661	430,875
Total Assets	1,536,820	1,765,981	1,885,866	2,042,270	2,193,673
Cash Flow Statement (INR mn)	FY23	FY24	FY25E	FY26E	FY27E
Cash profit adjusted for non-cash items	508,000	559,406	567,048	615,859	635,352
Add/Less : Working Capital Changes	23,934	(234,347)	(198,138)	(187,195)	209,688
Operating Cash Flow	416,418	210,624	251,353	308,093	723,214
Less:- Capex	(127,230)	(103,420)	(172,301)	(180,000)	(180,000)
Free Cash Flow	289,188	107,204	79,052	128,093	543,214
Financing Cash Flow	(148,240)	(143,600)	(178,285)	(177,351)	(183,514)
Investing Cash Flow	(109,418)	(103,130)	(182,301)	(180,000)	(180,000)
Net change in Cash	158,760	(36,106)	(109,233)	(49,258)	359,701
Ratio Analysis	FY23	FY24	FY25E	FY26E	FY27E
Income Statement Ratios (%)					
Revenue Growth	26.0	2.9	2.8	5.9	4.5
EBITDA Growth	79.0	8.4	0.9	9.1	2.9
PAT Growth	82.5	17.8	(5.6)	10.1	1.0
EBITDA Margin	32.0	33.7	33.1	34.1	33.5
Net Margin	22.9	26.3	24.1	25.0	24.2
Return & Liquidity Ratios					
Net Debt/Equity (x)					
ROE (%)	52.2	44.7	34.7	31.4	27.0
ROCE (%)	57.6	46.3	36.9	33.2	28.5
Per Share data & Valuation Ratios					
Diluted EPS (INR/Share)	51.5	59.9	57.2	63.0	63.6
EPS Growth (%)	82.5	16.4	(4.5)	10.1	1.0
DPS (INR/Share)	24.3	25.5	26.5	27.5	28.5
P/E Ratio (x)	4.1	6.3	6.6	6.0	5.9
EV/EBITDA (x)	2.4	5.0	5.2	4.8	4.0
EV/Sales (x)	0.7	1.5	1.5	1.4	1.2
Price/Book (x)	2.2	2.8	2.3	1.9	1.6
Dividend Yield (%)	11.4	6.8	7.0	7.3	7.6

Note: Pricing as on 27 January 2025; Source: Company, Elara Securities Estimate

Revenue to see a CAGR of 4% in FY24-27E

Quarterly financials

Consolidated (INR mn)	Q3FY25	Q3FY24	YoY (%)	Q2FY25	QoQ (%)	Q3FY25E	Variance (%)
Net sales from operations	357,798	361,540	(1.0)	306,729	16.6	366,408	(2.3)
Cost of material consumed	28,748	27,009	6.4	22,945	25.3	21,984	30.8
Employee benefit expenses	112,216	115,735	(3.0)	114,843	(2.3)	114,843	(2.3)
Other expenses	33,684	33,041	1.9	27,764	21.3	29,313	14.9
EBITDA	123,172	129,707	(5.0)	86,171	42.9	139,658	(11.8)
% of net sales	34.4	35.9	0.0	28.1	0.0	38.1	(9.7)
Depreciation	25,135	17,228	45.9	18,978	32.4	18,978	32.4
EBIT	98,038	112,479	(12.8)	67,193	45.9	120,681	(18.8)
% of net sales	27.4	31.1	0.0	21.9	0.0	32.9	(16.8)
Interest	2,255	2,268	(0.5)	2,081	8.4	2,081	8.4
Other income	21,432	22,033	(2.7)	15,050	42.4	18,320	17.0
PBT	117,924	135,101	(12.7)	81,534	44.6	136,920	(13.9)
Provision for tax (including deferred tax)	33,012	32,184	2.6	18,786	75.7	30,122	9.6
Reported PAT	84,912	102,917	(17.5)	62,748	35.3	106,797	(20.5)
% of net sales	23.7	28.5	0.0	20.5	0.0	29.1	(18.6)
EPS (INR)	13.8	16.7	(17.5)	10.2	35.3	17.3	(20.4)

Source: Company, Elara Securities Estimate

Exhibit 1: Valuation summary

(INR)	
FY27E EBITDA (INR mn)	543,384
EV/EBITDA multiple(x)	5
Target price	499
CMP	376
Upside	32.7

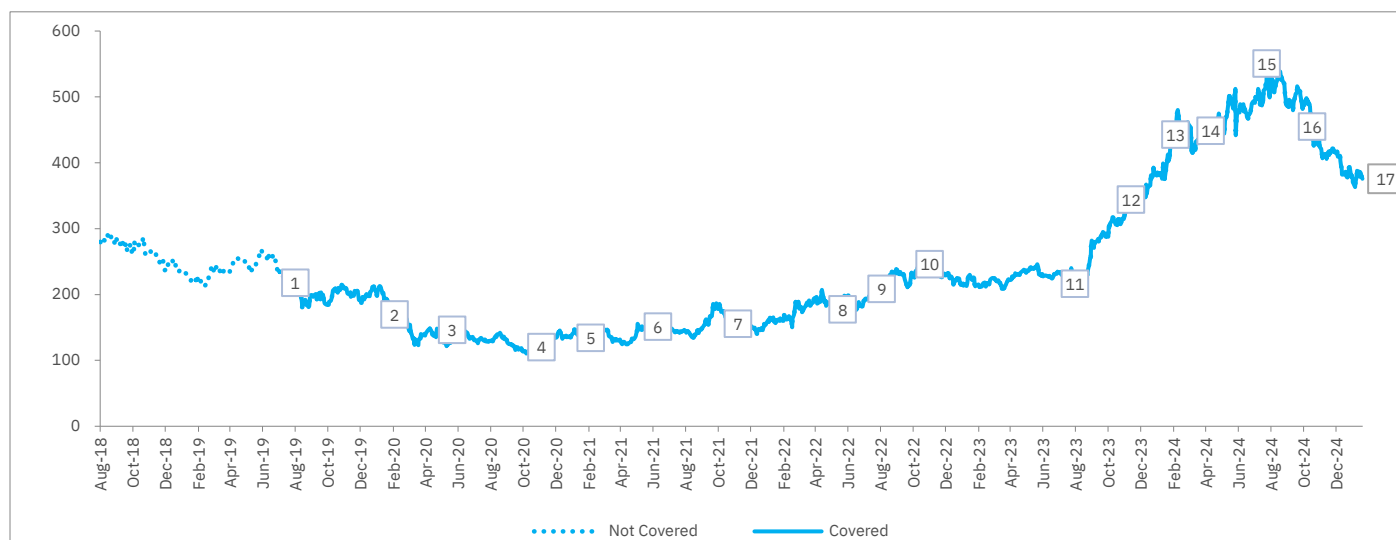
Note: Pricing as on 27 January 2025; Source: Elara Securities Estimate

Exhibit 2: Change in estimates

(INR mn)	Earlier			Revised			% Change		
	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E
Sales	1,497,343	1,641,910	1,739,136	1,463,344	1,550,067	1,620,274	(2.3)	(5.6)	(6.8)
EBITDA	432,070	526,578	557,335	483,978	527,861	543,384	12.0	0.2	(2.5)
PAT	370,804	444,131	464,738	352,672	388,166	392,205	(4.9)	(12.6)	(15.6)
TP (INR)	572			499			(12.7)		

Source: Elara Securities Estimate

Coverage History



	Date	Rating	Target Price	Closing Price
11	8-Aug-2023	Buy	INR 299	INR 230
12	21-Nov-2023	Accumulate	INR 385	INR 334
13	12-Feb-2024	Accumulate	INR 453	INR 433
14	18-Apr-2024	Accumulate	INR 492	INR 439
15	1-Aug-2024	Accumulate	INR 572	INR 540
16	25-Oct-2024	Buy	INR 572	INR 461
17	27-Jan-2025	Buy	INR 499	INR 376

Guide to Research Rating

BUY	Absolute Return >+20%
ACCUMULATE	Absolute Return +5% to +20%
REDUCE	Absolute Return -5% to +5%
SELL	Absolute Return < -5%

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