

BSE SENSEX  
82,201

S&P CNX  
25,145

**CMP: INR497**

**TP: INR600 (+21%)**

**Buy**



### Stock Info

	COAL IN
Bloomberg	COAL IN
Equity Shares (m)	6163
M.Cap.(INRb)/(USD\$b)	3062.9 / 36.5
52-Week Range (INR)	545 / 248
1, 6, 12 Rel. Per (%)	-6/-5/66
12M Avg Val (INR M)	5688
Free float (%)	36.9

### Financials Snapshot (INR b)

Y/E MARCH	2024	2025E	2026E
Sales	1,423	1,497	1,694
Adj. EBITDA	418	451	549
Adj. PAT	374	382	420
EBITDA Margin (%)	29.4	30.2	32.4
Cons. Adj. EPS (INR)	60.7	61.9	68.1
EPS Gr. (%)	17.8	2.0	10.0
BV/Sh. (INR)	134	164	198

### Ratios

Net D:E	-0.3	-0.3	-0.3
RoE (%)	45.2	37.7	34.5
RoCE (%)	50.2	40.0	36.4
Payout (%)	42.0	50.0	50.0

### Valuations

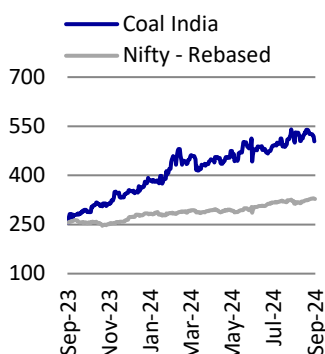
P/E (x)	7.9	7.7	7.0
P/BV (x)	3.6	2.9	2.4
EV/EBITDA(x)	6.4	5.9	4.7
Div. Yield (%)	5.3	6.5	7.1
FCF Yield (%)	0.5	5.4	8.4

### Shareholding pattern (%)

As On	Jun-24	Mar-24	Jun-23
Promoter	63.1	63.1	63.1
DII	23.3	23.3	22.4
FII	8.4	8.4	9.3
Others	5.2	5.2	5.2

FII Includes depository receipts

### Stock Performance (1-year)



## Volume growth outlook remains robust

### Dispatches to clock ~8% CAGR over FY24-26

- Coal India (COAL) reported a production of 46.1mt in Aug'24, down 12% YoY. Accordingly, during Apr-Aug'24, total production reached 290mt (+3% YoY) and dispatches stood at 308mt (+1% YoY). The sluggishness in volume growth recently is primarily driven by the erratic monsoon (especially in key coal-producing states - Odisha, Jharkhand, and West Bengal) as compared to muted rainfall during last year.
- Out of total dispatches during Apr-Aug'24, COAL supplied ~81% to the thermal power industry. COAL targets to clock a production of 838mt in FY25, aided by rising demand from the power sector (~80% share) with dispatches under e-auction at ~15% of total volumes.
- In FY24, COAL achieved 100% of its yearly production target. Subsidiaries (BCCL, CCL, NCL, WCL, and MCL) exceeded their targets. Production at SECL and ECL was confined to 98% and 93% respectively, due to a sluggish start in FY24.
- India's peak power demand (non-solar) rose to 234GW in May'24 vs. 221GW in Mar'24 and CEA (central electricity authority) projected all India peak electricity demand to reach 277MW by FY27 (366GW by FY32).
- According to CEA, thermal power capacity increased by +5.7GW in FY24. Furthermore, ~29.4GW of thermal power capacity additions are at various stages and are expected to come on stream by Nov'28 (out of which ~11.5 GW is expected to be commissioned by Dec'24).
- We foresee power demand moving in tandem with GDP growth in the near future, which will bode well for COAL as a dominant coal supply. Hence, we expects COAL to post an 8% CAGR in production volume over FY24-26.

### Aims to clock 1bn ton of production volume in next 2-3 years

- As India moves toward a USD5t economy, its dependency on thermal power plants will rise to ensure 24x7 uninterrupted power supply.
- Currently, the share of power generation through thermal power stands at ~80% (with a 48% installed capacity share), while the remaining is sourced from lignite, hydro, nuclear, gas, and RE (with 42% installed capacity share).
- In FY24, India's coal production stood at ~997mt, out of which ~77% was produced by COAL, making it a dominant player in the coal mining space.
- COAL clocked the highest production/sales of 773.6mt/753.5mt in FY24. Back-to-back double-digit growth in production volume translates into all-time high dispatches of ~619mt to the power sector (+5.7% YoY).
- COAL is increasing its coal-washer capacity by setting up eight coking coal washeries, which will strengthen its position in domestic coking coal. After the completion of all the washeries, the washed coking coal capacity is expected to increase from 1.5mt to over 7mt.

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**Investors are advised to refer through important disclosures made at the last page of the Research Report.**

Motilal Oswal research is available on [www.motilaloswal.com/Institutional-Equities](http://www.motilaloswal.com/Institutional-Equities), Bloomberg, Thomson Reuters, Factset and S&P Capital.

### Higher e-auction volume set to improve overall realization

- Global coal prices have significantly corrected due to oversupply and weak demand in China. South African coal (FOB 6,000 NAR) corrected to USD90/t in Feb'24 from peak of USD440/t in Mar'22 and currently hovering around USD105-110/t. Similarly, in line with global trends and domestic demand, COAL's e-auction prices were range-bound at INR2,400-2,500/t during Oct'23-Jun'24 vs. INR3400/t in 3QFY24.
- In FY24, COAL sold ~70mt (~9% of total volume dispatched) via e-auctions at a 99% premium over FSA prices. In 1QFY25, e-auction premium declined to 58%, but volume share rose to 12%, offsetting the impact. In future, COAL targets to achieve ~15% of e-auction volumes. We believe e-auction premiums to be buoyant at ~60%, in line with the past average of ~55-70% (average e-auction premiums over FY10-FY23 were ~71%; excluding FY23).

### Record capex to intensify evacuation infrastructure and help product diversification

- COAL has intensified capex to improve its evacuation infrastructure. Capex, which hovered around INR65-85b until FY20, tripled in FY23 to INR186b.
- Over the last three years, capex has exceeded budget estimates. COAL has earmarked ~INR167b capex in FY24 and plans to incur INR175-185b in FY25E/FY26E, which will help COAL to develop infrastructure across numerous verticals, such as railway corridors, land acquisitions, HEMM procurement, and CHPs.
- COAL envisages the expansion of coal mines to be funded via internal accruals; however, the company might borrow to undertake diversification projects, such as RE facilities and coal gasification. COAL recently acquired a 300MW solar RE contract in Gujarat.
- MCL has commissioned a 10mt non-coking coal washery at Lakhanpur, Odisha, and a trial run has recently been completed. This washery will improve coal quality by reducing ash content.
- BCCL has recently commissioned its Madhuban coal washery, currently operating at a 5,000 tons per day capacity. Compliance is underway for the 3mt Kathara and 2.5mt Dhori coking coal washeries, which are expected to be commissioned by FY27E. BCCL's 2mt Bhojudih coking coal washery is under construction and is expected to be commissioned by Jul'24.

### Valuation and view

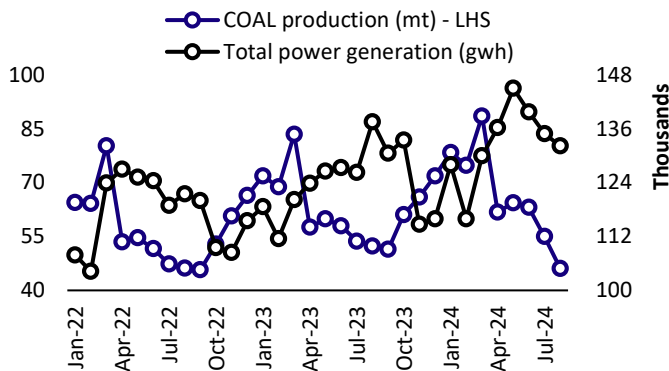
- COAL targets to achieve a production of 838mt in FY25, with dispatches under e-auction at ~15% of total volumes. With a robust volume outlook, healthy e-auction premiums and lower costs, the outlook for COAL remains positive.
- We maintain our revenue/EBITDA estimates for FY25/FY26. The stock is trading at 4.7x FY26E EV/EBITDA. We reiterate our BUY rating with a TP of INR600/share, valuing the stock at 6x FY26E EV/EBITDA.
- **COAL remains our top pick in the metals and mining sector.**

**Exhibit 1: Key operating metrics**

Key Metrics	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E
Total dispatches (mt)	543	580	608	581	574	662	695	754	817	880
FSA dispatches (Power) (mt)	380	424	458	426	407	495	580	640	678	716
e-auction dispatches (mt)	94	106	68	65	94	111	62	70	92	108
FSA realizations (INR/t)	1,301	1,257	1,348	1,416	1,379	1,407	1,475	1,536	1,567	1,599
e-auction realizations (INR/t)	1,536	1,839	2,632	2,177	1,569	1,879	4,841	3,057	2,492	2,606
Adj. EBITDA (INR b)	149	203	300	275	200	285	406	418	451	549
Adj. EBITDA/t	275	350	494	473	349	430	584	555	553	624

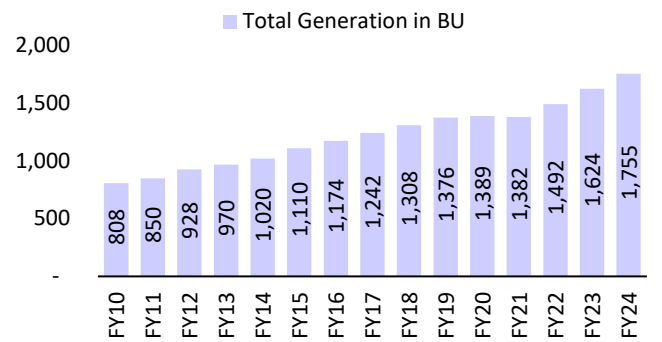
Source: MOFSL, Company

**Exhibit 2: COAL production (mt) and Thermal power PLF move in co-relation**



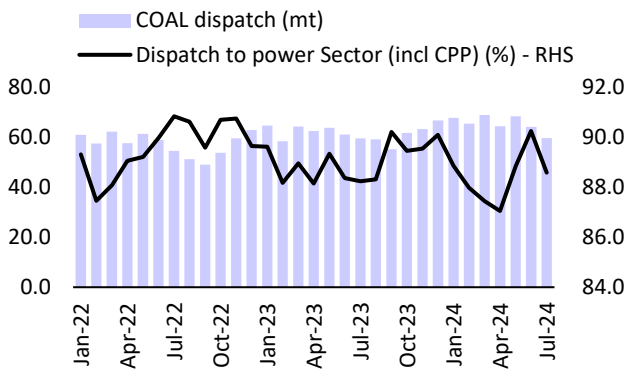
Source: MOFSL, Company, Central Electricity Authority

**Exhibit 3: Power generation grew by ~8% in FY24; share of thermal to remain around 75%**



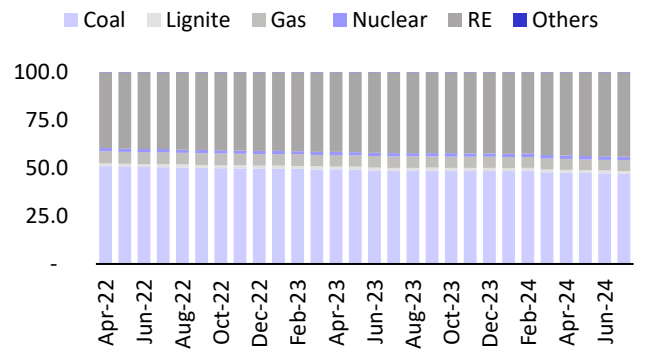
Source: MOFSL, Ministry of Power

**Exhibit 4: Total dispatches to power sector currently +80% (FY24 average was ~87.1%)**



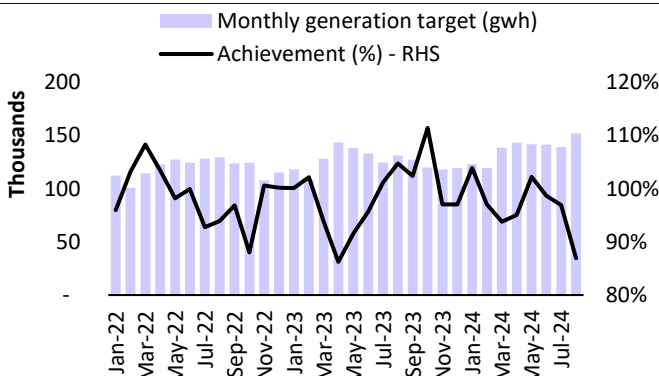
Source: MOFSL, Company, Central Electricity Authority, Ministry of Power

**Exhibit 5: Thermal power accounts for ~48% of the installed capacity contributing 80% in power generation**



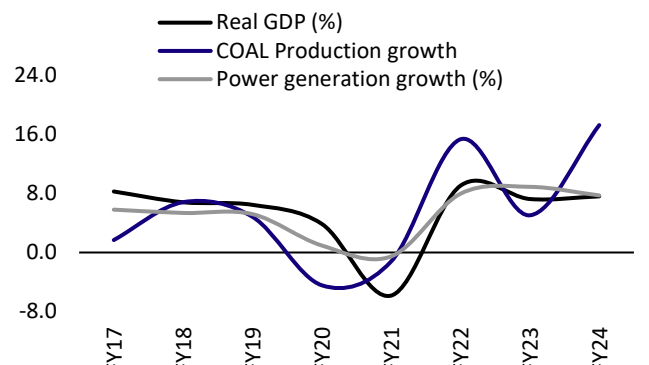
Source: MOFSL, Central Electricity Authority, Ministry of Power

**Exhibit 6: Monthly generation target and achievement; monthly generation inched up amid summer**



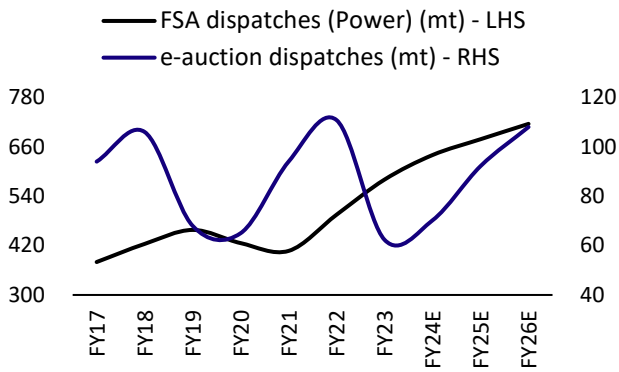
Source: MOFSL, Central Electricity Authority, Ministry of Power

**Exhibit 7: Coal production has a strong co-relation with GDP and power generation**



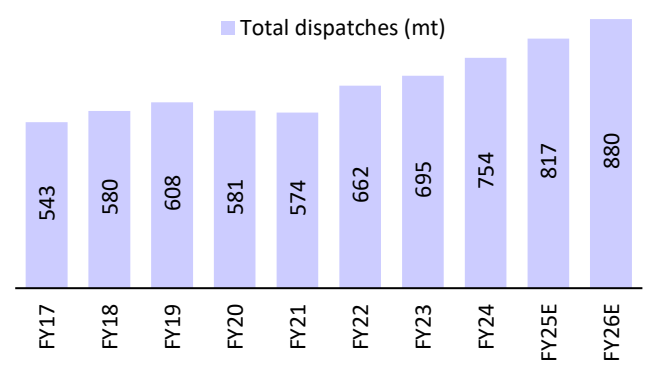
Source: MOFSL, Company, Ministry of Power

**Exhibit 8: Dispatches (mt); e-auction and FSA**



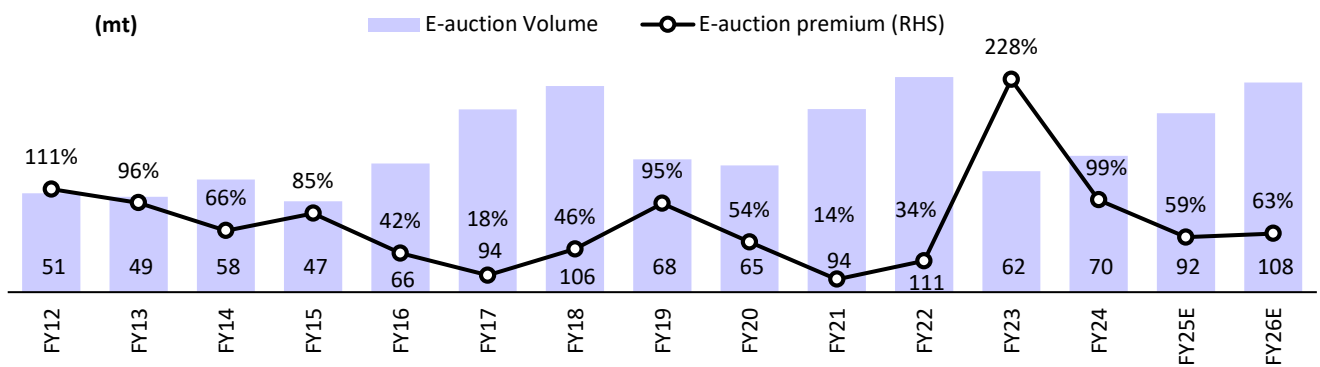
Source: MOFSL, Company

**Exhibit 9: Total dispatches (mt) expected to see 8% CAGR**



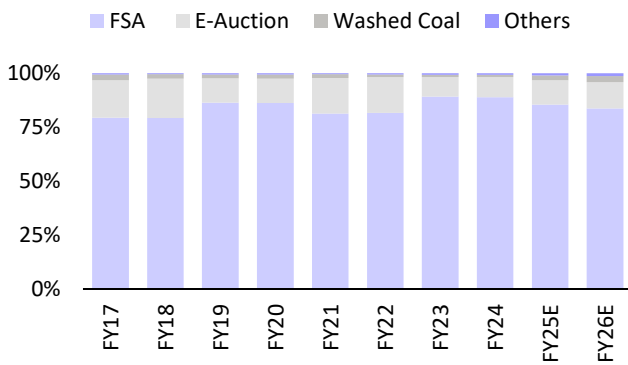
Source: MOFSL, Company

**Exhibit 10: E-auction premium is expected to remain between ~60-65% over increasing e-auction volume share**



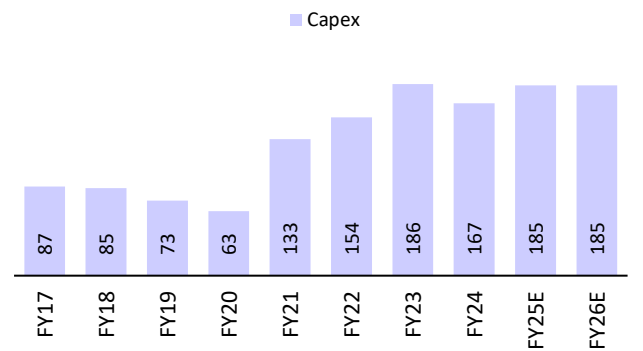
Source: MOFSL, Company

**Exhibit 11: Share (%) of e-auction and washed coal in total dispatches expected to improve in future**



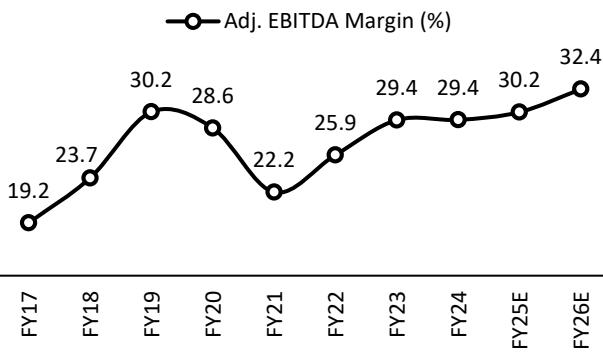
Source: MOFSL, Company

**Exhibit 12: Strong focus on capex (INR b) led to higher production capacity in the near future**



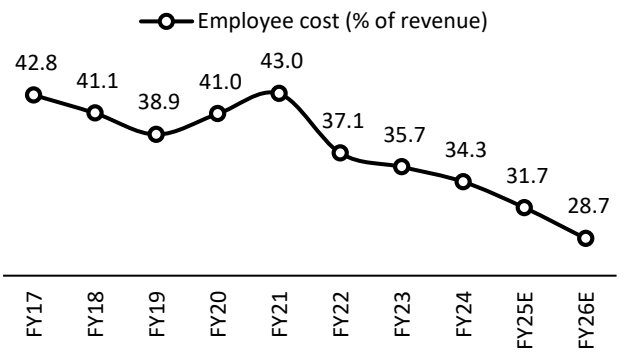
Source: MOFSL, Company

**Exhibit 13: Adj. EBITDA margin (%) to remain strong**



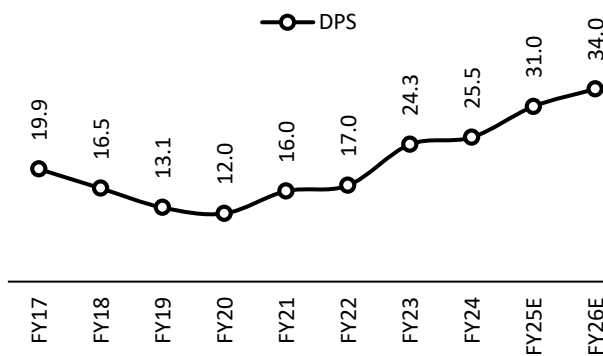
Source: MOFSL, Company

**Exhibit 14: Employee cost (% of revenue) to decline**



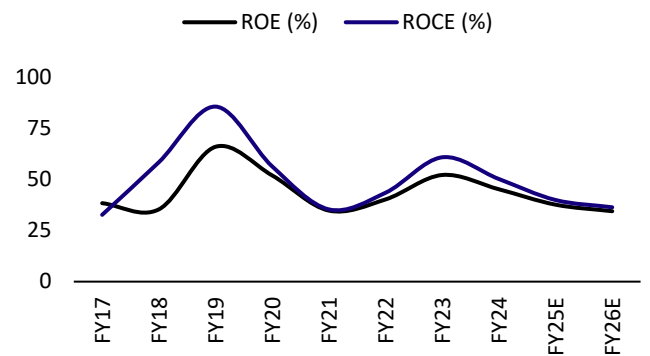
Source: MOFSL, Company

**Exhibit 15: Healthy dividend payout**



Source: MOFSL, Company

**Exhibit 16: ROE vs. ROCE (%)**



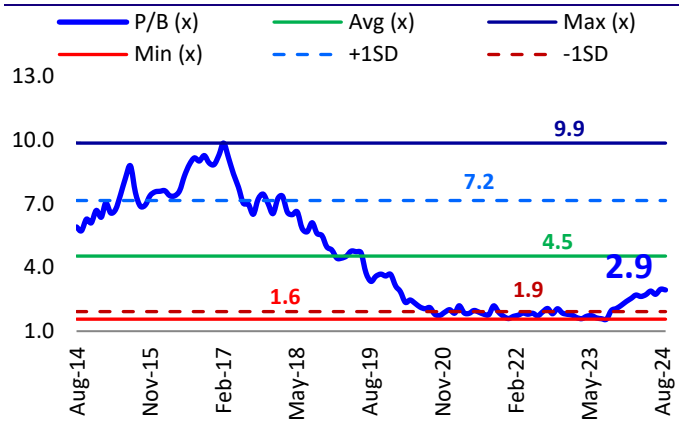
Source: MOFSL, Company

**Exhibit 17: TP calculation**

Target Price calculations	UoM	FY26E
Adjusted EBITDA	INR b	549
Target EV/EBITDA (x)	x	6.0
Target EV	INR b	3,295
Net debt	INR b	(370)
Equity value	INR b	3,666
<b>TP</b>		<b>600</b>

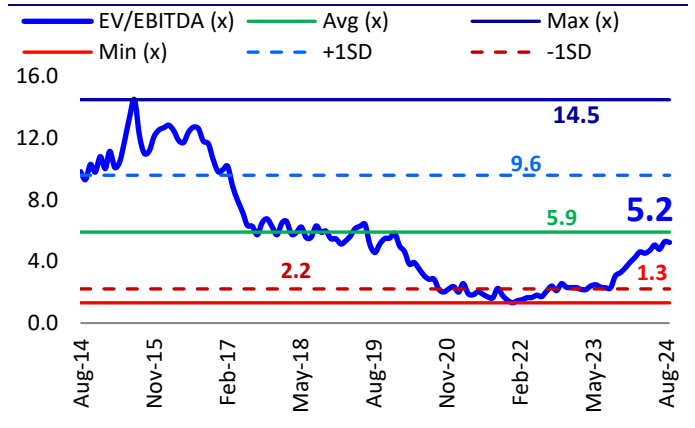
Source: MOFSL

**Exhibit 18: COAL's P/B multiple remains cheap**



Source: MOFSL, Company

**Exhibit 19: EV/EBITDA near LTA**



Source: MOFSL, Company

## Financials and valuations

Income Statement							(INR b)	
Y/E March	FY19	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E
<b>Net Sales</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 (%)	15.9	-3.5	-6.3	21.9	26.0	2.9	5.2	13.2
Operating Expenses	746	742	715	850	940	944	971	1,096
<b>EBITDA</b>	<b>250</b>	<b>219</b>	<b>186</b>	<b>247</b>	<b>442</b>	<b>480</b>	<b>526</b>	<b>599</b>
<b>Adjusted EBITDA</b>	<b>300</b>	<b>275</b>	<b>200</b>	<b>285</b>	<b>406</b>	<b>418</b>	<b>451</b>	<b>549</b>
adj. EBITDA/ton	494	473	349	430	584	555	553	624
Depreciation	35	35	37	44	68	67	81	96
Interest	3	5	6	5	7	8	10	11
Other Income	59	61	38	39	66	80	62	62
Extra Ordinary exp (inc)	0	0	0	0	0	0	0	0
<b>PBT after EO</b>	<b>271</b>	<b>241</b>	<b>180</b>	<b>236</b>	<b>433</b>	<b>484</b>	<b>497</b>	<b>554</b>
Tax	97	74	53	62	116	114	120	140
Rate (%)	35.6	30.6	29.5	26.4	26.7	23.7	24.2	25.2
<b>PAT (before MI and Sh. of Asso.)</b>	<b>175</b>	<b>167</b>	<b>127</b>	<b>174</b>	<b>317</b>	<b>369</b>	<b>377</b>	<b>414</b>
Minority Interest	0	0	0	0	0	0	0	0
<b>RPAT (after MI / Sh. of Asso.)</b>	<b>175</b>	<b>167</b>	<b>127</b>	<b>174</b>	<b>318</b>	<b>374</b>	<b>382</b>	<b>420</b>
Change (%)	148.8	-4.3	-24.0	36.7	83.0	17.8	2.0	10.0
<b>Adjusted PAT</b>	<b>175</b>	<b>167</b>	<b>127</b>	<b>174</b>	<b>318</b>	<b>374</b>	<b>382</b>	<b>420</b>
Change (%)	46.8	-4.3	-24.0	36.7	83.0	17.8	2.0	10.0

Balance Sheet							(INR b)	
Y/E March	FY19	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E
Share Capital	62	62	62	62	62	62	62	62
Reserves	203	260	304	370	547	766	952	1,156
<b>Net Worth</b>	<b>265</b>	<b>322</b>	<b>365</b>	<b>431</b>	<b>608</b>	<b>827</b>	<b>1,013</b>	<b>1,217</b>
Minority Interest	4	4	4	7	8	9	8	8
Loans	22	64	59	33	41	63	68	70
Deferred tax Liability	-43	-33	-41	-41	-28	-32	-32	-32
<b>Capital Employed</b>	<b>248</b>	<b>357</b>	<b>388</b>	<b>430</b>	<b>629</b>	<b>867</b>	<b>1,057</b>	<b>1,264</b>
<b>Gross Fixed Assets</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	116	150	187	232	300	367	448	544
<b>Net Fixed Assets</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	137	128	151	168	225	240	259	259
Investments	5	9	23	24	31	39	44	49
<b>Current Assets</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>1,444</b>	<b>1,673</b>
Inventory	56	66	89	71	82	102	111	126
Debtors	55	144	196	114	131	133	148	167
Other Current Assets	392	490	524	589	688	787	827	936
Loans and Advances	16	11	6	4	4	4	4	4
Cash (incl. bank balance)	338	295	209	365	440	335	355	440
<b>Current Liabilities</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	68	101	76	86	85	84	88	100
Other current liabilities	968	1,009	1,113	1,378	1,482	1,394	1,393	1,498
<b>Net Curr. Assets</b>	<b>-179</b>	<b>-104</b>	<b>-164</b>	<b>-322</b>	<b>-223</b>	<b>-118</b>	<b>-37</b>	<b>76</b>
<b>Application of Funds</b>	<b>248</b>	<b>357</b>	<b>388</b>	<b>430</b>	<b>629</b>	<b>867</b>	<b>1,057</b>	<b>1,264</b>

## Financials and valuations

### Ratios

Y/E March	FY19	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E
<b>Basic</b>								
Adjusted EPS	28.3	27.1	20.6	28.2	51.5	60.7	61.9	68.1
Cash EPS	33.9	32.7	26.6	35.4	62.6	71.6	75.1	83.7
Book Value	42.9	52.2	59.3	70.0	98.7	134.2	164.4	197.6
DPS	13.1	12.0	16.0	17.0	24.3	25.5	31.0	34.0
Payout (incl. Div. Tax.)	46.2	44.4	77.6	60.4	47.1	42.0	50.0	50.0
<b>Valuation (x)</b>								
P/E	16.9	17.7	23.2	17.0	9.3	7.9	7.7	7.0
Cash P/E	14.1	14.6	18.0	13.5	7.6	6.7	6.4	5.7
P/BV	11.2	9.2	8.1	6.8	4.9	3.6	2.9	2.4
EV/Adj. EBITDA	8.8	9.9	14.0	9.2	6.3	6.4	5.9	4.7
Dividend Yield (%)	2.7	2.5	3.3	3.5	5.1	5.3	6.5	7.1
<b>Turnover Ratios</b>								
Debtor (Days)	20.2	54.7	79.6	37.8	34.5	34.0	36.0	36.0
Inventory (Days)	20.5	25.1	36.3	23.5	21.5	26.1	27.1	27.1
Payables (Days)	25.0	38.4	31.0	28.6	22.6	21.5	21.5	21.5
Asset turnover(x)	4.0	2.7	2.3	2.6	2.2	1.6	1.4	1.3
<b>Profitability Ratios (%)</b>								
Adj. EBITDA Margin	30.2	28.6	22.2	25.9	29.4	29.4	30.2	32.4
APAT Margin	17.5	17.4	14.1	15.8	23.0	26.3	25.5	24.8
RoE	66.0	52.0	34.8	40.2	52.2	45.2	37.7	34.5
RoCE (post tax)	85.7	56.4	35.4	43.5	60.9	50.2	40.0	36.4
<b>Leverage Ratio</b>								
Net Debt/Equity (x)	-1.2	-0.7	-0.4	-0.8	-0.7	-0.3	-0.3	-0.3

### Cash Flow Statement

(INR b)

Y/E March	FY19	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E
Adj EBITDA*	300	275	200	285	406	418	451	549
(Inc)/Dec in WC	-49	-123	-56	175	27	-162	-62	-27
Taxes paid	-95	-119	-57	-63	-97	-117	-120	-140
Others	11	10	19	15	22	42	74	49
<b>CF from Operations</b>	<b>167</b>	<b>41</b>	<b>106</b>	<b>411</b>	<b>357</b>	<b>181</b>	<b>343</b>	<b>432</b>
Capex	-73	-56	-109	-120	-152	-167	-185	-185
<b>Free Cash Flow</b>	<b>94</b>	<b>-15</b>	<b>-3</b>	<b>291</b>	<b>205</b>	<b>14</b>	<b>158</b>	<b>247</b>
(Pur)/Sale of Investments	-1	-5	-8	-8	-7	-3	-5	-5
Interest/dividend	31	35	22	11	27	29	62	62
Other investing activity	-39	29	96	-140	-103	97	0	0
<b>CF from Investments</b>	<b>-83</b>	<b>3</b>	<b>2</b>	<b>-257</b>	<b>-235</b>	<b>-45</b>	<b>-128</b>	<b>-128</b>
Equity raised/(repaid)	0	0	0	0	0	0	0	0
Debt raised/(repaid)	7	23	-6	-26	8	15	5	2
Interest paid	0	-1	-2	-1	-2	-3	-10	-11
Dividend (incl. tax)	-112	-97	-77	-108	-143	-151	-191	-210
Other financing	4	5	0	0	0	0	0	0
<b>CF from Fin. Activity</b>	<b>-102</b>	<b>-70</b>	<b>-85</b>	<b>-134</b>	<b>-137</b>	<b>-139</b>	<b>-196</b>	<b>-219</b>
<b>Inc/Dec of Cash</b>	<b>-17</b>	<b>-25</b>	<b>23</b>	<b>20</b>	<b>-14</b>	<b>-3</b>	<b>20</b>	<b>86</b>
Add: Beginning Cash Balance	70	53	28	51	71	56	53	73
Closing cash Balance	53	28	51	71	56	53	73	159
Bank Balance	286	267	158	294	383	281	281	281
<b>Closing Balance (incl. bank bal.)</b>	<b>338</b>	<b>295</b>	<b>209</b>	<b>365</b>	<b>440</b>	<b>335</b>	<b>355</b>	<b>440</b>

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NOTES



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Investment Rating	Expected return (over 12-month)
BUY	>=15%
SELL	< - 10%
NEUTRAL	< - 10 % to 15%
UNDER REVIEW	Rating may undergo a change
NOT RATED	We have forward looking estimates for the stock but we refrain from assigning recommendation

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