

### Lower volumes drags earnings; outlook positive

Coal India (COAL IN) reported lower than our estimate EBITDA ex OBR at Rs71.5bn (CentrumE: Rs75.7bn), down 20% YoY/ down 38% QoQ. The underperformance is primarily due to lower realisation and also lower volumes resulting in higher CoP on account of higher fixed cost. Sales volume decline by 3.5% YoY to 168.1mt in Q2FY25. However, blended realisation/t declined by 5.8% YoY primarily due to sharp decline in FSA realisation as well as fall in e-auction premium to 69% (vs 84% YoY). CoP/t ex-employee cost increase by 1.9% YoY to Rs755/t. As a result, EBITDA/t stood at Rs426/t down 17% (CentrumE: Rs456/t) YoY. Employee cost declined by 1.4% YoY. We understand coal will remain a primary source to meet rising energy requirement of nation. We incorporate COAL to achieve ~900mt of sales volume in FY27; 6% CAGR over next 3 years. We estimate Revenue/EBITDA/PAT to increase at 6%/11%/10% CAGR over FY24-27. We maintain BUY rating with target price of Rs614/sh (Earlier: Rs593/sh), valuing at 6x H1FY27E EV/EBITDA.

#### Volume down by 3.5% YoY; E-auction volumes down 4.6% YoY

COAL's revenue decrease by 6.4% YoY to Rs307bn due to lower volume and lower realisation. Overall volume decreased 3.5% YoY to 168.1mt. The FSA volume down 4.4% YoY to 148mt while e-auction volume was down 4.6% YoY to 15.1mt. E-auction volume stood 9% of total volume in Q2FY25 (vs 11.68% in Q1FY25). During Q2FY25, Blended realisation was down by 6% YoY. The FSA realisation was down sharply by 5% YoY while E-auction realisation was down by 13% YoY on account of fall in average E-auction premium to 69% (Q2FY24: 84%).

#### EBITDA/t decline by 17% YoY at Rs426/t

Employee cost during the quarter remain flattish QoQ to Rs114.8bn. Employee cost per tonne basis however increase by ~2.1% YoY (Rs15/t) to Rs755/t. Overall CoP, at Rs1,399/t, was up 2% YoY. As a result, EBITDA (ex-OBR)/t was down ~17% YoY to Rs426. The stripping activity adjustment amounts to Rs15.4bn in Q2FY25 vs Rs15.2 bn in Q2FY24. The management has declared first interim dividend for FY24-25 of Rs15.75 per share

#### Maintain BUY with a target price of Rs614

We believe coal demand will remain high and COAL will be able to efficiently increase volume by 6% CAGR over FY24-27. Besides, incremental volume will generate sustainable EBITDA/t of ~Rs1000/t. High profitability will ensure enough cash after capex (FY25-26: FCF of Rs350-425bn/year) for higher dividend. We expect DPS of Rs25.5 and Rs30 respectively in each of FY26/FY27; a dividend yield of 5.5-6.5%. Our target price is Rs614, valuing COAL at 6x rolling over to H1FY27 EV/EBITDA. We maintain BUY rating.

### Financial and valuation summary

YE Mar (Rs mn)	2QFY25A	2QFY24A	YoY (%)	1QFY25A	QoQ (%)	FY25E	FY26E	FY27E
Revenues	3,06,729	3,27,764	(6.4)	3,64,646	(15.9)	13,50,978	14,49,566	15,91,981
EBITDA	71,542	88,936	(19.6)	1,15,425	(38.0)	4,31,415	5,04,366	5,69,123
EBITDA margin (%)	23.3	27.1	(14.0)	31.7	(26.3)	29.5	32.2	33.1
Adj. Net profit	48,119	75,701	(36.4)	81,475	(40.9)	3,12,870	3,70,523	4,08,946
Adj. EPS (Rs)	7.8	12.3	(36.4)	13.2	(40.9)	50.8	60.1	66.4
EPS growth (%)						1.6	18.4	10.4
PE (x)						9.1	7.7	6.9
EV/EBITDA (x)						5.8	4.6	3.6
PBV (x)						2.9	2.4	2.0
RoE (%)						34.6	34.0	31.3
RoCE (%)						32.6	32.4	30.1

Source: Bloomberg, Centrum Broking

#### Result Update

India I Metals & Mining

27 October, 2024

**BUY**

Price: Rs461

Target Price: Rs614

Forecast return: 33%

Institutional Research

#### Market Data

Bloomberg:	COAL IN
52 week H/L:	545/303
Market cap:	Rs2841.6bn
Shares Outstanding:	6162.7mn
Free float:	27.1%
Avg. daily vol. 3mth:	97,86,906

Source: Bloomberg

#### Changes in the report

Rating:	BUY; no change
Target price:	Rs614; up 3.5%
EPS:	FY25E: Rs50.8; down 5.5% FY26E: Rs60.1; no change

Source: Centrum Broking

#### Shareholding pattern

	Sep-24	Jun-24	Mar-24	Dec-23
Promoter	63.1	63.1	63.1	63.1
FIs	9.2	8.4	8.4	8.6
DIs	22.7	23.3	23.3	23.2
Public/other	5.0	5.2	5.2	5.1

Source: BSE

#### Centrum estimates vs Actual results

YE Mar	Centrum	Actual	Variance
Revenue	3,04,813	3,06,729	0.6
EBITDA	75,695	71,542	-5.5
Margin (%)	24.8	23.3	
Adj. PAT	61,282	48,119	-21.5

Source: Bloomberg, Centrum Broking

Metals & Mining



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# Thesis Snapshot

## Estimate revision

YE Mar (Rs mn)	FY25E New	FY25E Old	% chg	FY26E New	FY26E Old	% chg
Revenue	1,463,095	1,479,789	-1.1	1,568,713	1,569,206	0.0
EBITDA	431,415	446,116	-3.3	504,366	507,464	-0.6
EBITDA margin %	29.5	30.1		32.2	32.3	
Adj. PAT	311,402	329,448	-5.5	367,508	367,536	0.0
Diluted EPS (Rs)	50.5	53.46	-5.5	60	60	0.0

Source: Centrum Broking

## Coal India versus NIFTY 50

	1m	6m	1 year
COAL IN	(8.7)	1.9	48.6
NIFTY 50	(7.0)	7.1	26.5

Source: Bloomberg, NSE

## Key assumptions

mt	FY23	FY24	FY25E	FY26E	FY27E
Production	703	774	812	861	912
Sales	695	754	801	851	905
FSA	619	670	711	749	790
E-auction	62	70	77	89	102
Washed Coal	11	8	8	8	8
Other by-products	4	5	5	5	5
End Inventory	68	88	99	109	116
<b>(Rs/t)</b>					
Blended Realisation	1,830	1,730	1,687	1,703	1,759
FSA	1,480	1,536	1,552	1,567	1,645
E-auction	4,866	3,059	2,300	2,300	2,139
Washed Coal	3,523	5,466	6,718	6,738	6,975
Blended cost/t	1,405	1,333	1,288	1,251	1,270
EBITDA/t on FSA	75	203	263	316	375
EBITDA/t on E-auction	3,462	1,726	1,012	1,049	869

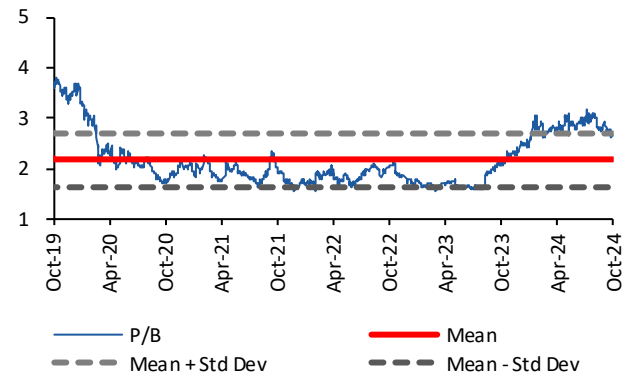
Source: Centrum Broking

## Valuations

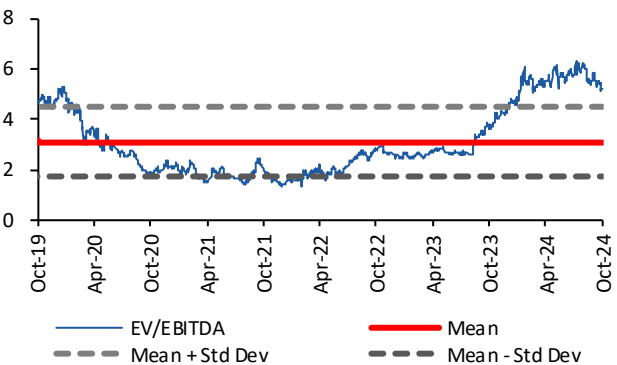
Our target price is revised upwards to Rs614/sh, valuing at 6x rolling over H1FY27 EV/EBITDA. We recommend BUY rating.

Valuations	Rs/share
<b>Particulars (Rs m)</b>	<b>H1FY27</b>
EBITDA	536,744
Multiple (x)	6.0
Enterprise value	3,220,467
Average net debt	(570,783)
Implied Market-cap	3,791,250
No of shares (mn)	6,163
TP (per share)	614

## P/B mean and standard deviation



## EV/EBITDA mean and standard deviation



Source: Bloomberg, Centrum Broking

**Exhibit 1: Sales volume breakup**

(MT)	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	YoY (%)	QoQ (%)
<b>Total sales</b>	<b>174.0</b>	<b>191.2</b>	<b>201.7</b>	<b>198.5</b>	<b>168.1</b>	<b>(3.5)</b>	<b>(15.5)</b>
FSA	154.6	172.3	175.9	176.3	148.2	(4.4)	(16.1)
E-auction	15.8	15.8	22.6	19.2	15.1	(4.6)	(21.4)
Washed coal	2.3	1.9	1.5	2.0	3.4	50.9	67.2

Source: Centrum Broking, Company

**Exhibit 2: Realisation/t breakup**

(Rs/t)	2QFY24	3QFY24	3QFY24	1QFY25	2QFY25	YoY (%)	QoQ (%)
<b>Blended realisation</b>	<b>1,726</b>	<b>1,727</b>	<b>1,699</b>	<b>1,671</b>	<b>1,622</b>	<b>(5.8)</b>	<b>(2.7)</b>
FSA	1,542	1,532	1,536	1,536	1,462	(4.9)	67.2
E-auction	2,838	3,321	2,545	2,273	2,472	(12.9)	67.2
Washed coal	5,820	4,788	7,280	4,445	3,880	(33.3)	(12.7)

Source: Centrum Broking, Company Data

**Exhibit 3: Per tonne analysis**

(Rs/t)	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	YoY (%)	QoQ (%)
<b>Blended cost</b>	<b>1,375</b>	<b>1,266</b>	<b>1,367</b>	<b>1,256</b>	<b>1,399</b>	<b>2.0</b>	<b>11.7</b>
Cost excl employee cost	704	661	696	678	716	1.9	5.8
EBITDA	512	624	488	581	426	(16.7)	(26.6)

Source: Centrum Broking, Company Data

**Exhibit 4: Quarterly Review**

Y/E Mar (Rs m)	Q2FY25	Q1FY25	Q2FY24	% ch qoq	% ch yoy	Q2FY25E	% var from est
Net Sales	306,729	364,646	327,764	-15.9%	-6.4%	304,813	0.6%
EBITDA	71,542	115,425	88,936	-38.0%	-19.6%	75,695	-5.5%
EBITDA Margins (%)	23.32%	31.65%	27.13%			24.83%	-6.1%
Other Income	15,050	18,846	19,839	-20.1%	-24.1%	19,839	-24.1%
Interest	2,081	2,088	1,825	-0.3%	14.1%	1,825	14.1%
Depreciation	18,978	19,525	11,782	-2.8%	61.1%	11,782	61.1%
PBT after exceptional	65,533	112,658	95,168	-41.8%	-31.1%	81,928	-20.0%
Adjustment	14,629	27,961	(7,566)			0	
Adjusted PAT	48,119	81,475	75,701	-40.9%	-36.4%	61,282	-21.5%
Reported PAT	48,119	81,475	75,701	-40.9%	-36.4%	61,282	-21.5%
NPM (%)	15.69%	22.34%	23.10%			20.10%	

Source: Centrum Broking, Company Data

P&L					
YE Mar (Rs mn)	FY23A	FY24A	FY25E	FY26E	FY27E
<b>Revenues</b>	<b>12,76,275</b>	<b>13,03,257</b>	<b>13,50,978</b>	<b>14,49,566</b>	<b>15,91,981</b>
Operating Expense	3,99,744	4,18,041	4,46,085	4,78,350	5,23,219
Employee cost	4,94,102	4,87,826	4,80,167	4,72,628	5,00,175
Others	82,495	99,040	1,05,428	1,13,368	1,26,179
<b>EBITDA</b>	<b>4,06,178</b>	<b>4,18,334</b>	<b>4,31,415</b>	<b>5,04,366</b>	<b>5,69,123</b>
Depreciation & Amortisation	68,329	67,354	80,462	93,163	1,06,483
<b>EBIT</b>	<b>3,37,849</b>	<b>3,50,980</b>	<b>3,50,953</b>	<b>4,11,203</b>	<b>4,62,640</b>
Interest expenses	6,843	8,194	7,861	7,861	7,861
Other income	65,598	79,691	75,744	92,673	92,673
<b>PBT</b>	<b>3,96,604</b>	<b>4,22,477</b>	<b>4,18,836</b>	<b>4,96,014</b>	<b>5,47,451</b>
Taxes	1,15,516	1,14,435	1,05,965	1,25,492	1,38,505
Effective tax rate (%)	29.1	27.1	25.3	25.3	25.3
<b>PAT</b>	<b>2,81,088</b>	<b>3,08,042</b>	<b>3,12,870</b>	<b>3,70,523</b>	<b>4,08,946</b>
Minority/Associates	0	0	0	0	0
<b>Recurring PAT</b>	<b>2,81,088</b>	<b>3,08,042</b>	<b>3,12,870</b>	<b>3,70,523</b>	<b>4,08,946</b>
Extraordinary items	0	0	0	0	0
<b>Reported PAT</b>	<b>2,81,088</b>	<b>3,08,042</b>	<b>3,12,870</b>	<b>3,70,523</b>	<b>4,08,946</b>

Ratios					
YE Mar	FY23A	FY24A	FY25E	FY26E	FY27E
<b>Growth (%)</b>					
Revenue	26.8	2.1	3.7	7.3	9.8
EBITDA	42.8	3.0	3.1	16.9	12.8
Adj. EPS	32.9	9.6	1.6	18.4	10.4
<b>Margins (%)</b>					
Gross	97.9	101.5	100.3	100.3	100.4
EBITDA	29.4	29.4	29.5	32.2	33.1
EBIT	24.4	24.7	24.0	26.2	26.9
Adjusted PAT	20.3	21.6	21.4	23.6	23.8
<b>Returns (%)</b>					
ROE	54.1	42.9	34.6	34.0	31.3
ROCE	50.7	40.4	32.6	32.4	30.1
ROIC	178.0	71.9	47.6	51.9	57.2
<b>Turnover (days)</b>					
Gross block turnover ratio (x)	1.5	1.3	1.2	1.1	1.0
Debtors	32	34	34	33	33
Inventory	20	24	26	25	25
Creditors	23	22	21	21	21
Net working capital	112	121	145	180	215
<b>Solvency (x)</b>					
Net debt-equity	(0.6)	(0.3)	(0.4)	(0.5)	(0.6)
Interest coverage ratio	59.4	51.1	54.9	64.2	72.4
Net debt/EBITDA	(1.0)	(0.7)	(0.9)	(1.1)	(1.4)
<b>Per share (Rs)</b>					
Adjusted EPS	45.6	50.0	50.8	60.1	66.4
BVPS	98.7	134.2	159.5	194.1	230.5
CEPS	56.7	60.9	63.8	75.2	83.6
DPS	24.3	25.5	25.5	25.5	30.0
Dividend payout (%)	53.2	51.0	50.2	42.4	45.2
<b>Valuation (x)</b>					
P/E	10.1	9.2	9.1	7.7	6.9
P/BV	4.7	3.4	2.9	2.4	2.0
EV/EBITDA	6.1	6.2	5.8	4.6	3.6
Dividend yield (%)	5.3	5.5	5.5	5.5	6.5

Source: Company, Centrum Broking

Balance sheet					
YE Mar (Rs mn)	FY23A	FY24A	FY25E	FY26E	FY27E
Equity share capital	61,627	61,627	61,627	61,627	61,627
Reserves & surplus	5,52,762	7,75,785	9,31,506	11,44,879	13,68,943
Shareholders fund	6,08,429	8,27,298	9,83,018	11,96,392	14,20,456
Minority Interest	7,707	8,521	8,521	8,521	8,521
Total debt	41,147	62,890	62,890	62,890	62,890
Non Current Liabilities	8,62,934	8,53,785	8,83,720	9,45,564	10,34,901
Def tax liab. (net)	16,440	18,222	18,222	18,222	18,222
<b>Total liabilities</b>	<b>15,36,657</b>	<b>17,70,715</b>	<b>19,56,372</b>	<b>22,31,589</b>	<b>25,44,989</b>
Gross block	8,42,401	10,05,681	11,68,961	13,48,961	15,28,961
Less: acc. Depreciation	(2,72,056)	(3,26,677)	(4,07,139)	(5,00,302)	(6,06,785)
Net block	5,70,345	6,79,004	7,61,823	8,48,659	9,22,176
Capital WIP	1,52,626	1,47,387	1,42,147	1,42,147	1,42,147
Net fixed assets	8,21,694	9,46,285	10,23,864	11,10,701	11,84,218
Non Current Assets	2,62,776	3,20,887	3,25,910	3,36,288	3,51,280
Investments	30,854	38,593	38,593	38,593	38,593
Inventories	81,547	1,01,772	1,05,499	1,13,198	1,24,319
Sundry debtors	1,30,605	1,32,558	1,37,411	1,47,439	1,61,924
Cash & Cash Equivalents	4,39,757	3,34,863	4,39,747	6,21,530	8,51,885
Loans & advances	219	216	216	216	216
Other current assets	4,28,709	4,70,137	4,73,456	4,80,312	4,90,217
Trade payables	85,492	83,857	86,927	93,271	1,02,434
Other current liab.	4,49,928	4,55,345	4,66,004	4,88,025	5,19,836
Provisions	1,52,230	66,806	66,806	66,806	66,806
Net current assets	3,93,188	4,33,538	5,36,592	7,14,594	9,39,485
<b>Total assets</b>	<b>15,36,657</b>	<b>17,70,715</b>	<b>19,56,372</b>	<b>22,31,589</b>	<b>25,44,989</b>

Cashflow					
YE Mar (Rs mn)	FY23A	FY24A	FY25E	FY26E	FY27E
Profit Before Tax	4,32,746	4,88,126	4,18,836	4,96,014	5,47,451
Depreciation & Amortisation	68,329	67,354	80,462	93,163	1,06,483
Net Interest	0	0	0	0	0
Net Change – WC	26,519	(1,61,835)	35,085	72,482	1,04,704
Direct taxes	(97,497)	(1,17,267)	(1,05,965)	(1,25,492)	(1,38,505)
<b>Net cash from operations</b>	<b>3,82,403</b>	<b>2,11,655</b>	<b>4,23,393</b>	<b>5,25,790</b>	<b>6,05,141</b>
Capital expenditure	(1,52,113)	(1,67,499)	(1,58,041)	(1,80,000)	(1,80,000)
Acquisitions, net	0	0	0	0	0
Investments	(1,02,717)	96,643	0	0	0
Others	20,175	25,999	45,744	62,673	62,673
<b>Net cash from investing</b>	<b>(2,34,655)</b>	<b>(44,858)</b>	<b>(1,12,297)</b>	<b>(1,17,327)</b>	<b>(1,17,327)</b>
<b>FCF</b>	<b>2,30,290</b>	<b>44,156</b>	<b>2,65,353</b>	<b>3,45,790</b>	<b>4,25,141</b>
Issue of share capital	0	0	0	0	0
Increase/(decrease) in debt	8,052	14,960	0	0	0
Dividend paid	(1,43,281)	(1,50,979)	(1,57,150)	(1,57,150)	(1,84,882)
Interest paid	(1,382)	(2,243)	(7,861)	(7,861)	(7,861)
Others	0	0	0	0	0
<b>Net cash from financing</b>	<b>(1,36,611)</b>	<b>(1,38,262)</b>	<b>(1,65,011)</b>	<b>(1,65,011)</b>	<b>(1,92,743)</b>
Net change in Cash	11,137	28,535	1,46,086	2,43,452	2,95,071

Source: Company, Centrum Broking

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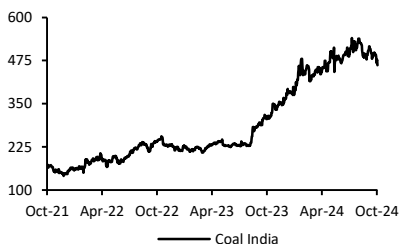
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**Coal India**



Source: Bloomberg

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