

Retail Equity Research

Coal India Limited

Power

BSE CODE: 533278

NSE CODE: COALINDIA

Bloomberg CODE: COAL:IN

SENSEX: 79,649

BUY

12 Months Investment Period Rating as per Large Cap
CMP Rs. 524 TARGET Rs. 589 RETURN 12% ↑
(Closing: 12-08-24)

KEY CHANGES:

TARGET ↑

RATING ↑

EARNINGS ↑

Improved volume, outlook positive

Coal India Ltd (CIL) is the largest coal producer in the world. Its output in FY24 stood at 774 million tonne (MT).

- In Q1FY25, CIL's consolidated revenue grew merely 0.3% YoY, driven primarily by higher sales via the fuel supply agreements (FSAs), partially offset by lower revenue from e-auctions.
- EBITDA increased 5.6% YoY and margin expanded 160bps YoY to 39.3% owing to low cost of materials consumed.
- CIL's Q1 earnings were decent led by a notable increase in volume. Going forward, we expect the company to sustain sales volume growth, underpinned by enhanced production volume and new contract wins. Therefore, we upgrade our BUY rating on the stock with a rolled-over target price of Rs. 589 based on 6.5x FY26E EV/EBITDA.

Improved raw coal offtake drives top line growth

In Q1FY25, CIL's consolidated revenue saw a modest 0.3% YoY growth to Rs. 33,170cr, primarily driven by increased coal production, offtake and overburden removal. CIL exceeded its production target in Q1 FY25, producing 189.3 MT of coal, an 8% YoY increase. This marks a 100% achievement of its target, with all 7 producing mines showing growth and 5 exceeding their targets. Notably, revenue via the FSAs grew 2.1% YoY, primarily owing to a 2.9% YoY increase in volume to 172.43 MT, partially offset by a 0.8% YoY decline in average selling price (ASP). Conversely, revenue from e-auction declined 7.2% YoY, resulting from a 35.5% YoY reduction in average e-auction prices to Rs. 2,411 per tonne. However, e-auction sales volume increased a significant 44.0% YoY to 23.18 MT. Overall, the blended ASP declined 5.8% YoY to Rs. 1,629 per tonne in Q1FY25.

Margin widened with low COGS

EBITDA grew 5.6% YoY to Rs. 14,339cr. EBITDA margin widened a significant 160bps to 39.3% primarily driven by lower cost of sales (-11.6% YoY) and higher other operating income (+13.2% YoY). As a result, profit after tax increased 4.1% to Rs. 10,959cr, primarily owing to higher share of associates, partially offset by an increase in taxes.

Key highlights

- In May 2024, CIL established a subsidiary, Bharat Coal Gasification and Chemicals Ltd (BCGCL), to pursue the coal-to-chemicals business. CIL holds 51% in the new entity, while Bharat Heavy Electricals Ltd (BHEL) owns the balance 49%.
- The company commenced operations of a non-coking coal washery, with a capacity of 10 million tonne per annum (MTPA), on April 15. The unit entailed an investment of Rs. 398cr.
- CIL has been awarded the contract to mine the Khattali Chotti graphite block in Madhya Pradesh, marking its foray into non-coal mineral mining. The move signals a strategic expansion of its operations beyond coal and into the graphite mining sector.

Valuation

CIL's Q1FY25 earnings were decent, with volume increasing despite low revenue from e-auctions. The company continued to augment its production capacity while implementing cost control measures, which should support its long-term revenue prospects. Furthermore, the company is poised to expand its mining presence as it has won the Khattali Chotti graphite block in Madhya Pradesh, a move that could diversify its mining assets. We, therefore, upgrade our BUY rating on the stock with a revised target price of Rs. 589 based on 6.5x FY26E EV/EBITDA.

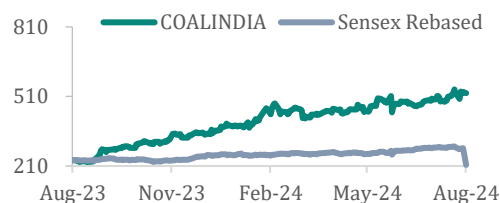
Company Data

Market Cap (cr)	Rs. 322,896
Enterprise Value (cr)	Rs. 300,666
Outstanding Shares (cr)	616.3
Free Float	37.0%
Dividend Yield	4.7%
52 week high	Rs. 542
52 week low	Rs. 226
6m average volume (lacs)	134
Beta	0.9
Face value	Rs. 10

Shareholding (%)	Q3FY24	Q4FY24	Q1FY25
Promoters	63.1	63.1	63.1
FII's	8.6	8.4	8.4
MFs/Insti	23.1	23.2	23.2
Public	4.2	4.3	4.4
Others	1.1	1.0	0.9
Total	100.0	100.0	100.0
Promoters' pledge	0.0	0.0	0.0

Price Performance	3 Month	6 Month	1 Year
Absolute Return	16.6%	21.0%	123.0%
Absolute Sensex	-17.8%	-16.0%	-8.6%
Relative Return*	34.4%	37.0%	131.6%

*over or under performance to benchmark index



Consolidated (cr)	FY24A	FY25E	FY26E
Sales	142,324	158,511	171,615
Growth (%)	2.9	11.4	8.3
EBITDA	47,971	48,219	53,143
EBITDA Margin (%)	33.7	30.4	31.0
Adj. PAT	37,402	36,524	40,113
Growth (%)	17.8	(2.3)	9.8
Adj. EPS	60.7	59.3	65.1
Growth (%)	17.8	(2.3)	9.8
P/E	7.1	8.8	8.0
P/B	3.2	3.1	2.6
EV/EBITDA	5.2	6.2	5.5
ROE (%)	45.2	35.3	31.7
D/E	0.1	0.1	0.1

Quarterly Financials (Consolidated)

Profit & Loss Account

Rs. cr	Q1FY25	Q1FY24	YoY Growth (%)	Q4FY24	QoQ Growth (%)
Revenue	36,465	35,983	1.3	37,410	(2.5)
EBITDA	14,339	13,575	5.6	11,338	26.5
EBITDA margins	39.3	37.7	160bps	30.3	900bps
Depreciation	1,952	1,527	27.9	1,993	(2.1)
EBIT	12,386	12,048	2.8	9,344	32.6
Interest	209	178	17.4	232	(10.1)
Other Income	1,885	1,538	22.6	2,244	(16.0)
Exceptional Items	-	-	-	-	-
Share of profit from Associate	85	(23)	n.m.	74	14.8
PBT	14,147	13,385	5.7	11,430	23.8
Tax	3,204	2,887	11.0	2,790	14.8
Reported PAT	10,944	10,498	4.2	8,640	26.7
Minority Interest	16	30	(46.3)	42	(61.9)
PAT att. to shareholders	10,959	10,528	4.1	8,682	26.2
Adjustments	-	-	-	-	-
Adj. PAT	10,959	10,528	4.1	8,682	26.2
No. of shares	616.3	616.3	-	616.3	-
Adj. EPS (Rs.)	17.8	17.1	4.1	14.1	26.2

Change in Estimates

Year / Rs. cr	Old estimates		New estimates		Change (%)	
	FY25E	FY26E	FY25E	FY26E	FY25E	FY26E
Revenue – included other operating income	146,438	156,077	158,511	171,615	8.2	10.0
EBITDA	37,608	40,059	48,219	53,143	28.2	32.7
Margins (%)	28.0	27.9	30.4	31.0	240bps	310bps
Adj. PAT	28,697	30,000	36,524	40,113	27.3	33.7
Adj. EPS	46.6	48.7	59.3	65.1	27.3	33.7

PROFIT & LOSS

Y.E March (Rs. cr)	FY22A	FY23A	FY24A	FY25E	FY26E
Revenue	109,715	138,252	142,324	158,511	171,615
% change	21.9	26.0	2.9	11.4	8.3
EBITDA	24,714	44,240	47,971	48,219	53,143
% change	32.7	79.0	8.4	0.5	10.2
Depreciation	4,429	6,833	6,735	6,813	6,969
EBIT	20,285	37,407	41,236	41,405	46,174
Interest	541	684	819	829	880
Other Income	3,873	6,552	8,396	8,220	8,297
PBT	23,616	43,275	48,813	48,796	53,591
% change	31.1	83.2	12.8	(0.0)	9.8
Tax	6,238	11,552	11,443	12,199	13,398
Tax Rate (%)	26.4	26.7	23.4	25.0	25.0
Reported PAT	17,378	31,723	37,369	36,597	40,193
PAT att. to common shareholders	17,358	31,763	37,402	36,597	40,193
Adj*	-	-	-	-	-
Adj PAT	17,378	31,763	37,402	36,524	40,113
% change	36.8	83.0	17.8	(2.3)	9.8
No. of shares (cr)	616.3	616.3	616.3	616.3	616.3
Adj EPS (Rs.)	28.2	51.5	60.7	59.3	65.1
% change	36.7	83.0	17.8	(2.3)	9.8
DPS (Rs.)	17.0	24.3	25.5	25.8	27.7

CASH FLOW

Y.E March (Rs. cr)	FY22A	FY23A	FY24A	FY25E	FY26E
Net inc. + Depn.	21,787	38,596	44,138	43,337	47,082
Non-cash adj.	9,169	298	(22,657)	(6,494)	(5,236)
Changes in W.C	10,151	(3,160)	(3,377)	(67)	(644)
C.F. Operation	41,107	35,734	18,103	36,776	41,202
Capital exp.	(11,996)	(15,211)	(16,750)	(19,383)	(21,287)
Change in inv.	(14,817)	(10,938)	9,317	(17)	(395)
Other invest.CF	1,099	2,684	2,947	4,076	4,280
C.F - Investment	(25,715)	(23,465)	(4,486)	(15,324)	(17,402)
Issue of equity	-	-	-	-	-
Issue/repay debt	(2,573)	762	1,423	200	190
Dividends paid	(10,783)	(14,328)	(15,098)	(15,888)	(17,048)
Other finance.CF	(85)	(138)	(224)	(829)	(880)
C.F - Finance	(13,441)	(13,704)	(13,899)	(16,517)	(17,738)
Chg. in cash	1,951	(1,436)	(282)	4,934	6,063
Closing cash	29,965	39,922	30,235	35,170	41,233

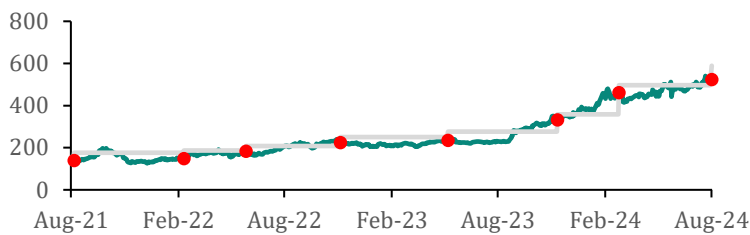
BALANCE SHEET

Y.E March (Rs. cr)	FY22A	FY23A	FY24A	FY25E	FY26E
Cash	29,965	39,922	30,235	35,170	41,233
Accounts Receivable	11,368	13,060	13,256	14,531	15,566
Inventories	7,076	8,155	10,177	10,217	10,479
Other Cur. Assets	44,437	46,947	50,215	54,952	60,165
Investments	2,427	3,085	3,859	3,877	4,271
Gross Fixed Assets	69,675	84,886	101,636	121,019	142,306
Net Fixed Assets	46,571	61,959	72,950	82,244	92,679
CWIP	12,714	15,263	14,739	17,686	21,224
Intangible Assets	289	4,947	6,940	7,287	7,651
Def. Tax (Net)	4,128	2,815	3,212	3,660	4,019
Other Assets	21,262	26,278	32,089	33,675	35,341
Total Assets	180,238	222,431	237,672	263,299	292,628
Current Liabilities	57,156	68,705	60,523	67,026	74,763
Provisions	65,944	76,141	74,311	72,525	70,783
Debt Funds	6,793	9,183	11,814	12,014	12,204
Other Liabilities	6,528	6,788	7,442	7,442	7,442
Equity Capital	6,163	6,163	6,163	6,163	6,163
Reserves & Surplus	36,980	54,680	76,567	97,203	120,268
Shareholder's Fund	43,143	60,843	82,730	103,366	126,430
Minority Interest	674	771	852	925	1,006
Total Liabilities	180,238	222,431	237,672	263,299	292,628
BVPS (Rs.)	70	99	134	168	205

RATIOS

Y.E March	FY22A	FY23A	FY24A	FY25E	FY26E
Profitab. & Return					
EBITDA margin (%)	22.5	32.0	33.7	30.4	31.0
EBIT margin (%)	18.5	27.1	29.0	26.1	26.9
Net profit mgn.(%)	15.8	23.0	26.3	23.0	23.4
ROE (%)	40.2	52.2	45.2	35.3	31.7
ROCE (%)	40.1	52.8	43.2	35.6	33.1
W.C & Liquidity					
Receivables (days)	37.3	34.0	33.5	33.0	32.7
Inventory (days)	175.7	219.8	364.2	320.4	309.6
Payables (days)	213.7	230.4	300.1	302.1	303.9
Current ratio (x)	1.6	1.6	1.7	1.7	1.7
Quick ratio (x)	0.8	0.8	0.8	0.8	0.8
Turnover & Leverage					
Gross asset T.O (x)	1.7	1.8	1.5	1.4	1.3
Total asset T.O (x)	0.6	0.7	0.6	0.6	0.6
Int. coverage ratio (x)	37.5	54.7	50.3	50.0	52.5
Adj. debt/equity (x)	0.2	0.1	0.1	0.1	0.1
Valuation					
EV/Sales (x)	0.7	0.7	1.8	1.9	1.7
EV/EBITDA (x)	3.2	2.3	5.2	6.2	5.5
P/E (x)	5.9	4.1	7.1	8.8	8.0
P/BV (x)	2.4	2.2	3.2	3.1	2.6

Recommendation Summary (Last 3 Years)



Dates	Rating	Target
17-Aug-21	BUY	176
21-Feb-22	BUY	186
7-Jun-22	HOLD	208
16-Nov-22	HOLD	250
19-May-23	BUY	276
22-Nov-23	HOLD	359
6-Mar-24	HOLD	497
13-Aug-24	BUY	589

Source: Bloomberg, Geojit research

Investment Rating Criteria

Ratings	Large caps	Midcaps	Small Caps
Buy	Upside is above 10%	Upside is above 15%	Upside is above 20%
Accumulate	-	Upside is between 10%-15%	Upside is between 10%-20%
Hold	Upside is between 0% - 10%	Upside is between 0%-10%	Upside is between 0%-10%
Reduce/sell	Downside is more than 0%	Downside is more than 0%	Downside is more than 0%
Not rated/Neutral			

Definition:

Buy: Acquire at Current Market Price (CMP), with the target mentioned in the research note; **Accumulate:** Partial buying or to accumulate as CMP dips in the future; **Hold:** Hold the stock with the expected target mentioned in the note; **Reduce:** Reduce your exposure to the stock due to limited upside; **Sell:** Exit from the stock; **Not rated/Neutral:** The analyst has no investment opinion on the stock.

To satisfy regulatory requirements, we attribute 'Accumulate' as Buy and 'Reduce' as Sell.

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Not rated/Neutral- The analyst has no investment opinion on the stock under review

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