

BSE SENSEX
74,030

S&P CNX
22,471



Stock Info

Bloomberg	COAL IN
Equity Shares (m)	6163
M.Cap.(INRb)/(USD\$)	2346.2 / 26.9
52-Week Range (INR)	545 / 349
1, 6, 12 Rel. Per (%)	8/-12/-16
12M Avg Val (INR M)	4639
Free float (%)	36.9

Financials Snapshot (INR b)

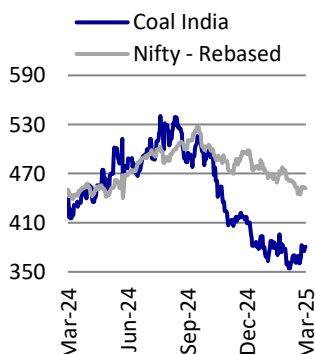
Y/E MARCH	2025E	2026E	2027E
Sales	1,424	1,681	1,798
Adj. EBITDA	402	557	581
Adj. PAT	342	424	443
EBITDA Margin (%)	28.3	33.1	32.3
Cons. Adj. EPS (INR)	55.5	68.8	71.9
EPS Gr. (%)	-8.6	24.1	4.5
BV/Sh. (INR)	161	195	230
Ratios			
Net D:E	-0.3	-0.3	-0.3
RoE (%)	34.4	35.3	31.3
RoCE (%)	36.2	37.4	32.9
Payout (%)	50.0	50.0	50.0
Valuations			
P/E (x)	6.9	5.5	5.3
P/BV (x)	2.4	2.0	1.7
EV/EBITDA(x)	5.2	3.6	3.3
Div. Yield (%)	7.3	9.1	9.5
FCF Yield (%)	4.2	11.4	11.0

Shareholding pattern (%)

As On	Dec-24	Sep-24	Dec-23
Promoter	63.1	63.1	63.1
DII	22.7	22.7	23.2
FII	8.6	9.2	8.6
Others	5.6	5.0	5.1

FII Includes depository receipts

Stock Performance (1-year)



CMP: INR381

TP: INR480 (+26%)

Buy

Robust growth outlook and recent price hike to support earnings; valuation attractive

Robust domestic demand outlook

- Coal India's (COAL) production/dispatches for 11MFY25 stood at 695mt/686mt, flat YoY. Despite near-term weakness, the energy demand outlook remains robust for the medium-to-long term as the Central Electricity Authority (CEA) projects peak power demand in summer to hit 270GW over Mar-Jun'25 (~363GW by FY30). The upcoming a +40GW coal-based plant by FY30 will support coal demand. We expect COAL to clock a 6% CAGR in production over FY24-27E.

Dominant position in India's energy sector

- COAL produces over 75% of India's coal, with 80% supplied to the power sector. This positions COAL as a dominant player in the coal mining space. Thermal power accounts for ~75% of electricity generation (45% installed capacity), while other sources make up 53%. As India is marching toward becoming a USD5t economy, coal demand is expected to reach 1.3-1.5bt by 2030. COAL is well-positioned to benefit from this stable demand.

Higher e-auction volumes to improve margins; recent price hike at NCL subsidiary to further add to earnings

- In FY24, COAL sold ~70mt (~9% of dispatches) via e-auctions at a 99% premium over FSA prices, which softened to 67% with ~58mt (~10% of dispatches) in 9MFY25. COAL targets 15% of volumes via e-auctions, which will improve NSR and boost margins. We believe the e-auction premiums will remain at ~60%, in line with the historical average of 55-70%. COAL undertook a price hike of INR300/t in its Northern Coalfield subsidiary, which would translate into INR39b in incremental revenue from FY26 onward.

Capex to drive product diversification and portfolio mix

- COAL has ramped up capex for evacuation infrastructure, from INR65-85b before FY20 to INR167b in FY24. Management targets INR200b capex annually for FY25 and FY26 to develop railway corridors, land acquisitions, HEMM procurement, and CHPs. Mine expansions will be funded via internal accruals, with partial borrowing for diversification into RE and coal gasification. COAL operates 12 washeries (29.35mtpa), including 10 for coking coal. A 5mtpa coking coal washery was commissioned in BCCL, with five more (14.5mtpa) set for CCL.

Valuation and view

- The prospects for COAL remain strong. We estimate COAL's production to clock a 6% CAGR over FY24-27, with 15% dispatches via e-auction to result in higher NSR and better margins.
- The recent stock correction offers an attractive valuation, with the stock trading at 3.3x on FY27E EV/EBITDA, below its 10-year historical average. We reiterate our BUY rating with a TP of INR480/share, valuing the stock at 4.5x FY27E EV/EBITDA. **COAL remains our top pick in the sector.**

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

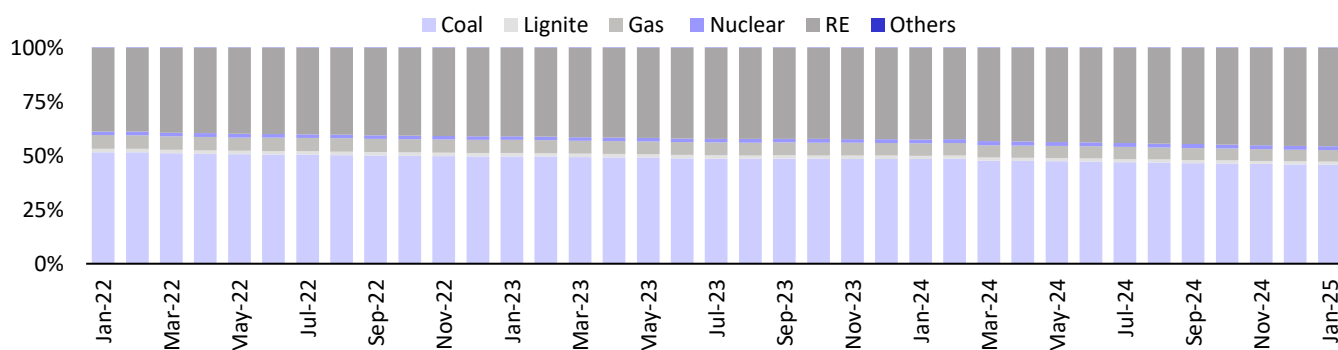
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Investment rationale

Dominant position in India's energy sector

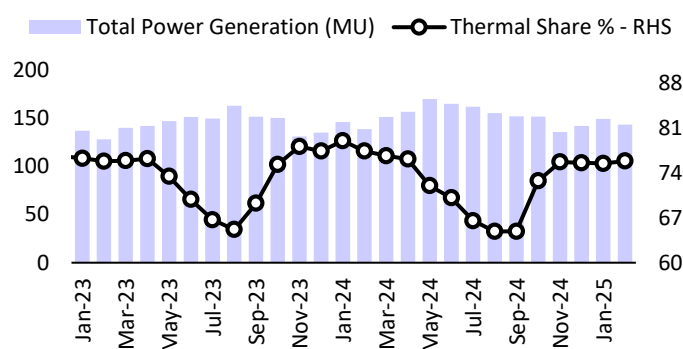
- COAL accounts for over 75% of the total coal production in India (incl. captives/ others), of which +80% is supplied to the power sector. This positions COAL as a dominant player in the coal mining space.
- Coal remains integral to India's energy landscape. Thermal power accounts for ~75% of power generation (with a 45% installed capacity share), while the rest is generated via lignite, hydro, nuclear, natural gas, and renewables (together making up ~53% of the installed capacity).
- As India is advancing to be an USD5t economy, the reliance on thermal power plants is expected to increase to ensure an uninterrupted electricity supply, driving India's coal demand to ~1.3-1.5bt by 2030, despite the global shift toward renewable energy.
- COAL is well placed to benefit from this stable demand.

Exhibit 1: Thermal power contributes 45% to India's total installed capacity...



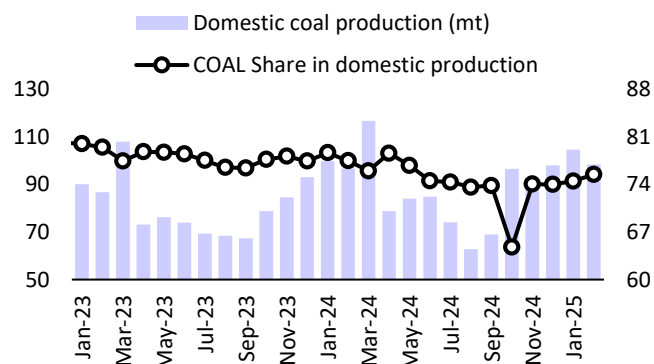
Source: MOFSL, Coal Ministry

Exhibit 2: ...but ~75% of power generate via thermal source



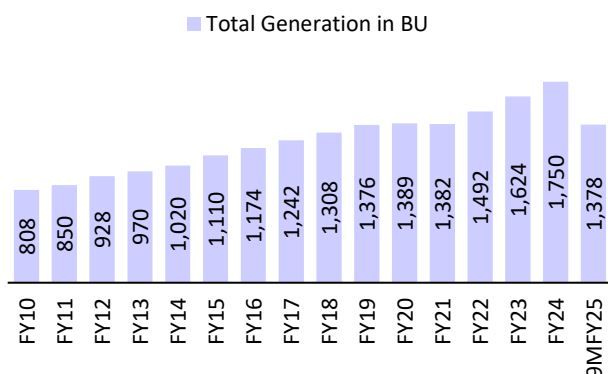
Source: MOFSL, Coal Ministry

Exhibit 3: COAL produce 75% of India's total coal production



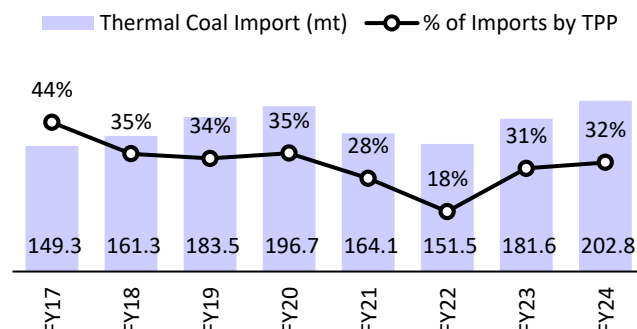
Source: MOFSL, Coal Ministry

Exhibit 4: Power generation double in FY24 vs FY10



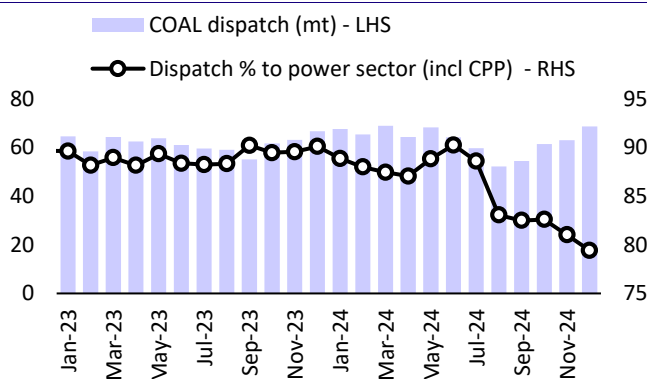
Source: MOFSL, Company, Central Electricity Authority

Exhibit 5: Imports by TPP remain at +30% amid muted global prices



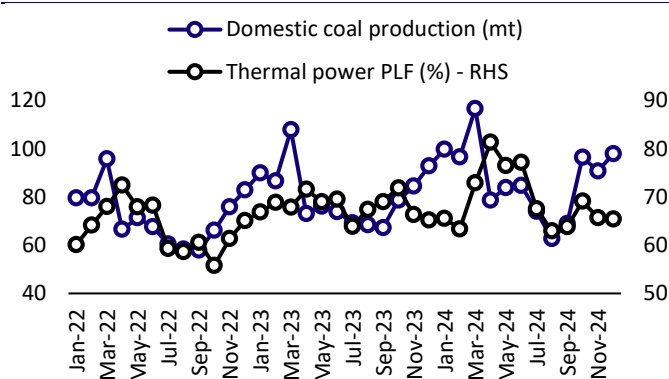
Source: MOFSL, Central Electricity Authority

Exhibit 6: Total dispatches to the power sector are currently +80% (FY24 average was ~90%)



Source: MOFSL, Company, Central Electricity Authority

Exhibit 7: COAL production (mt) and thermal power generation move in co-relation



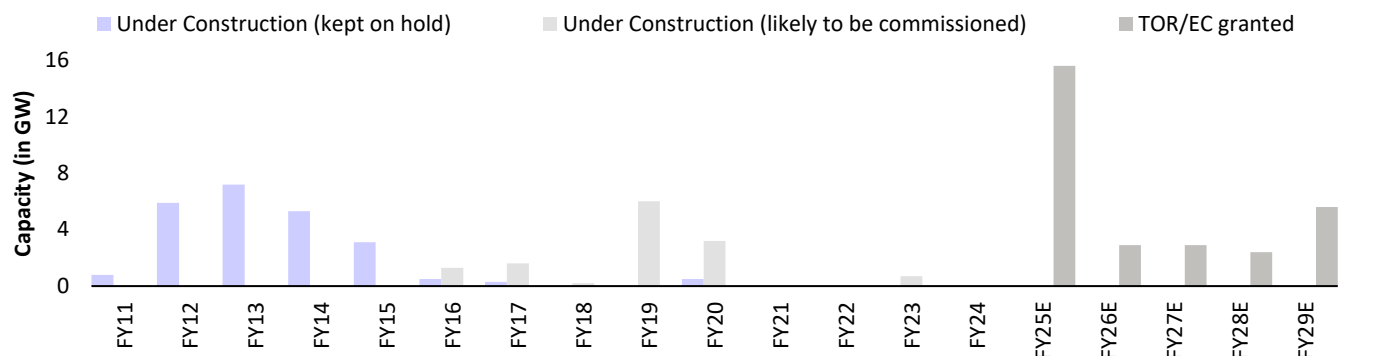
Source: MOFSL, Ministry of Power

Robust domestic demand outlook (dispatches to post ~6% CAGR over FY24-27)

- COAL’s production/dispatches for 11MFY25 stood at 695mt/686mt, flat YoY. The sluggish volume growth was primarily caused by the general/state elections (Odisha/Jharkhand - coal producing states). Moreover, muted international thermal coal prices have made the imported thermal coal competitive in the Indian market.
- Dispatches to thermal power plants have softened to ~83% in 11MFY25 vs. 90% in FY23, while the share of thermal power in total power generation (ex RE) in India remained resilient at 85-90%. This highlights the rising demand contribution from non-power players for COAL.
- India’s peak power demand (non-solar) reached ~250GW in May’24 and CEA has projected the demand to peak at 270GW in the summer (May’25), driven by elevated temperatures and widespread heatwaves. CEA forecasts India's peak power demand will reach ~272GW, with an energy requirement of ~1,852b kWh in Mar-Jun’25 and by FY30 the peak demand to reach ~363GW, for which 2,459b kWh energy will be required.
- As of Feb’25, India's total installed thermal power capacity stands at ~213GW, accounting for over 46% of the nation's total electricity generation capacity. The Indian government continues to emphasize the development of thermal power infrastructure to ensure energy security. According to the CEA, thermal power

capacity in India increased by 5.7GW in FY24. Furthermore, +40GW of coal-based capacity is under pipeline by FY30 to meet India’s base load requirement. We expect power demand to increase in tandem with GDP growth in the near future, benefiting the company as a dominant coal supplier. Hence, we expect COAL's production volume to clock a 6% CAGR over FY24-27.

Exhibit 8: +40GW of coal-based capacity is under pipeline till FY30 to meet India’s base load requirement...



Source: MOFSL, NITI Aayog

Exhibit 9: Under-construction pipeline status

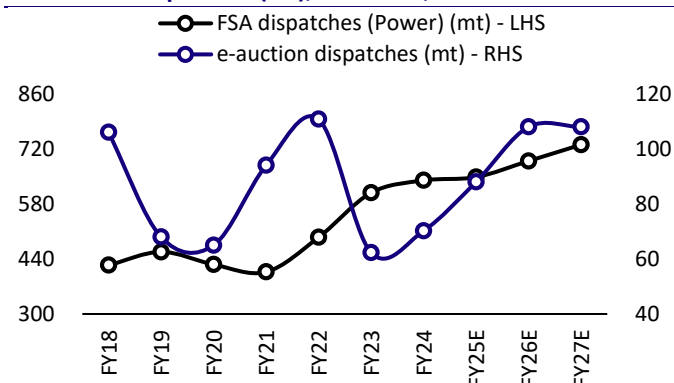
Status	Nos. of Units	Pipeline Capacity (MW)
Under Construction but on hold	53	23,555
Under Construction and likely to be commissioned	40	29,480
Total	93	53,035

Source: MOFSL, NITI Aayog

Higher e-auction volumes to boost overall realization and margins

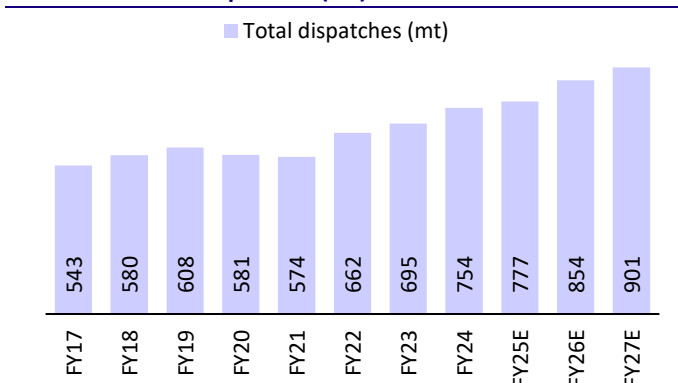
- In FY24, COAL sold ~70mt (~9% of total volume dispatched) through e-auctions at a 99% premium over FSA prices, which softened to ~67% (with volume of ~58mt; accounting for 10% of total volume) during 9MFY25, in line with global trends and domestic demand.
- Global coal prices have significantly corrected due to oversupply and weak global demand, with a shift toward renewable energy (especially in China). South African coal (6,000 NAR) hovers around USD100/t from a peak of USD440/t in Mar’22. Similarly, in line with global trends and domestic demand, COAL’s e-auction prices have remained range-bound at INR2,400-2,500/t over the last three quarters, compared to INR3,400/t in 3QFY24.
- Going forward, COAL aims to achieve ~15% of its volumes through e-auctions, resulting in incremental revenue and margin growth. We believe e-auction premiums will remain buoyant at ~60%, in line with the past average of ~55-70% (avg. e-auction premiums over FY10-FY23 were ~71%, excluding FY23).

Exhibit 10: Dispatches (mt), e-auction, and FSA



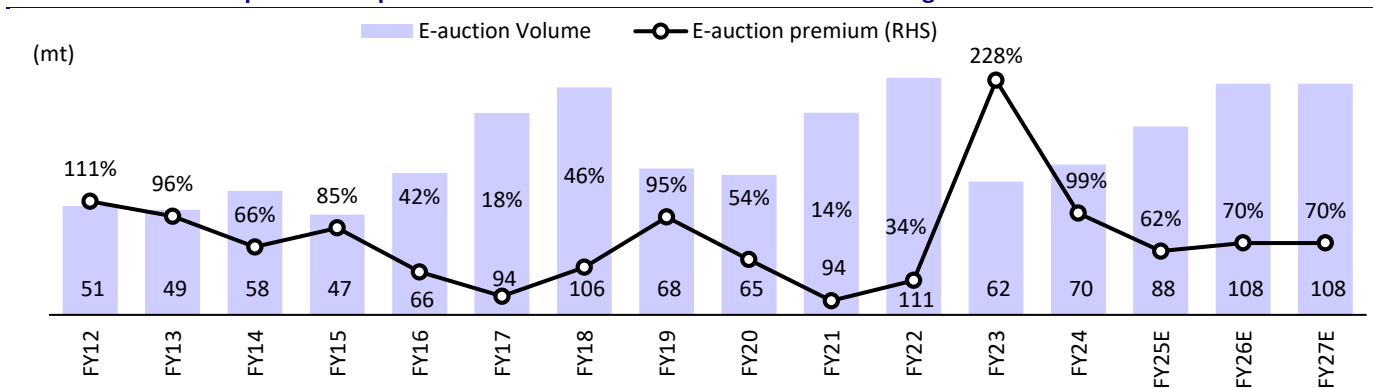
Source: MOFSL, Company

Exhibit 11: Total dispatches (mt) to clock a 6% CAGR



Source: MOFSL, Company

Exhibit 12: E-auction premium expected to remain around ~60-70% amid increasing e-auction volume share

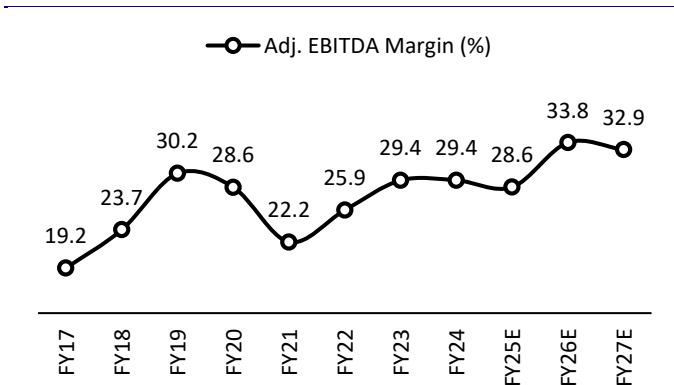


Source: MOFSL, Company

Capex to drive product diversification and portfolio mix

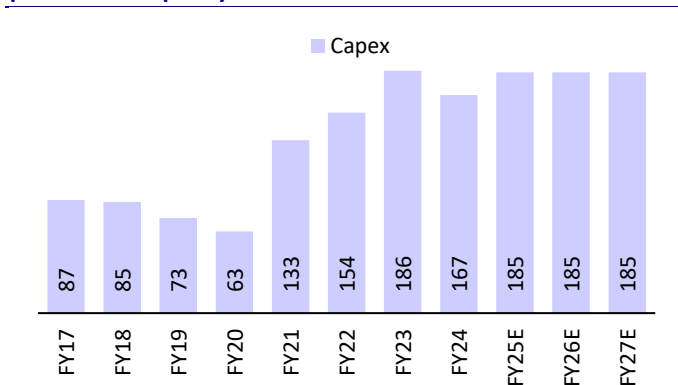
- COAL has significantly increased its capex to improve its evacuation infrastructure. Capex, which hovered around INR65-85b until FY20, almost tripled to INR167b in FY24. Management plans to allocate INR200b for FY25 and FY26E each, which will support COAL in developing infrastructure across various verticals, such as railway corridors, land acquisitions, HEMM procurement, and the establishment of CHPs.

Exhibit 13: Adj. margin expected to expand due to the rising share of non-FSA volumes



Source: MOFSL, Company

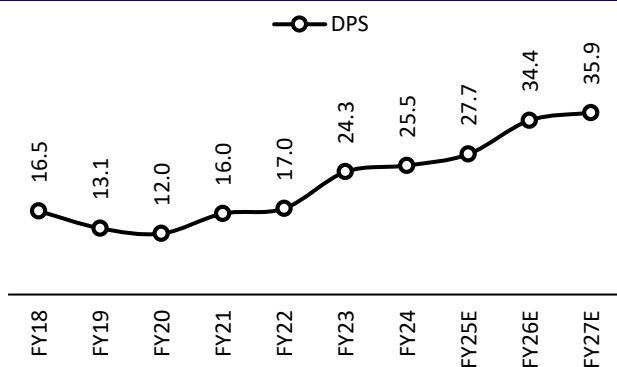
Exhibit 14: Strong focus on capex (INR b) will lead to higher production capacity in the near future



Source: MOFSL, Company

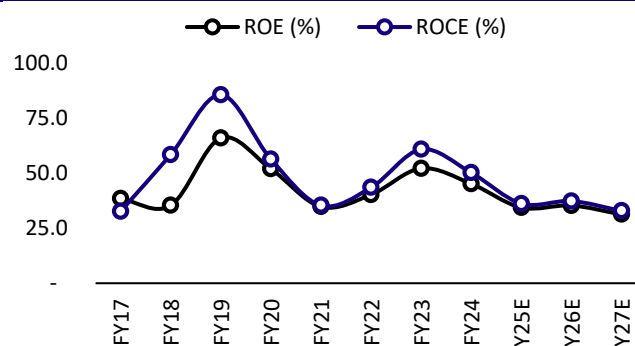
- COAL plans to fund the expansion of coal mines via internal accruals. However, it may partially borrow funds to undertake diversification projects, such as the establishment of RE facilities and coal gasification.
- Solar power is the preferred source by the company for its diversification plan and achieving net-zero goals. The company aims to install 5GW of solar capacity, with a target of 3GW by FY30, requiring an estimated investment of ~INR150b. This is an ongoing process and will be achieved in a phased manner, with an additional 2GW planned, involving a future outlay of ~INR100b.
- COAL operates 12 washeries with a combined capacity of 29.35mtpa. Of these, 10 are dedicated to coking coal, while the remaining two are for non-coking coal. The company has recently commissioned 5mtpa of coking coal washeries in BCCL. Additionally, five coking coal washeries with a total capacity of 14.5mtpa are set to be commissioned in CCL.

Exhibit 15: Healthy dividend payout



Source: MOFSL, Company

Exhibit 16: ROE vs ROCE (%)



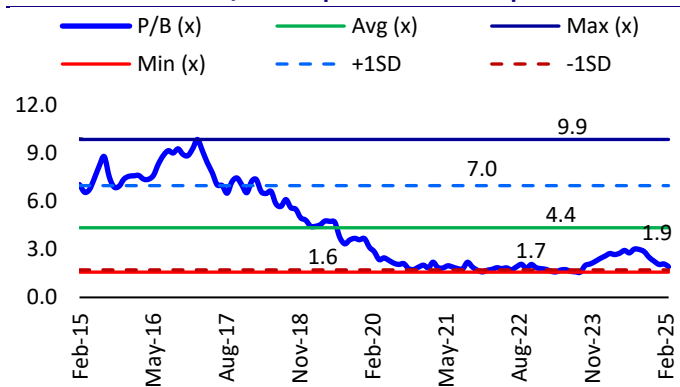
Source: MOFSL, Company

Exhibit 17: TP calculation

Target Price calculations	UoM	FY27E
Adjusted EBITDA	INR b	581
Target EV/EBITDA (x)	X	4.5
Target EV	INR b	2,615
Net debt	INR b	(441)
Equity value	INR b	3,057
TP		480

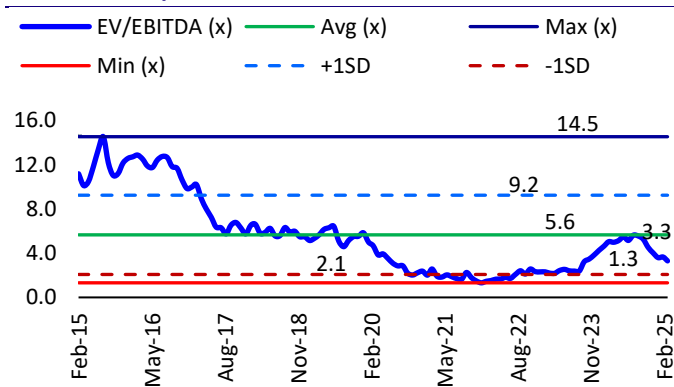
Source: MOFSL

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	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
Net Sales	961	900	1,097	1,383	1,423	1,424	1,681	1,798
Change (%)	-3.5	-6.3	21.9	26.0	2.9	0.1	18.0	7.0
Operating Expenses	742	715	850	940	944	951	1,076	1,155
EBITDA	219	186	247	442	480	473	604	643
Adjusted EBITDA	275	200	285	406	418	402	557	581
adj. EBITDA/ton	473	349	430	584	555	518	652	645
Depreciation	35	37	44	68	67	89	96	112
Interest	5	6	5	7	8	10	11	11
Other Income	61	38	39	66	80	70	62	65
Extra Ordinary exp (inc)	0	0	0	0	0	0	0	0
PBT after EO	241	180	236	433	484	444	560	584
Tax	74	53	62	116	114	108	141	147
Rate (%)	30.6	29.5	26.4	26.7	23.7	24.2	25.2	25.2
PAT (before MI and Sh. of Asso.)	167	127	174	317	369	337	419	437
Minority Interest	0	0	0	0	0	0	0	0
RPAT (after MI / Sh. of Asso.)	167	127	174	318	374	342	424	443
Change (%)	-4.3	-24.0	36.7	83.0	17.8	-8.6	24.1	4.5
Adjusted PAT	167	127	174	318	374	342	424	443
Change (%)	-4.3	-24.0	36.7	83.0	17.8	-8.6	24.1	4.5

Balance Sheet								(INR b)
Y/E March	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
Share Capital	62	62	62	62	62	62	62	62
Reserves	260	304	370	547	766	932	1,139	1,354
Net Worth	322	365	431	608	827	994	1,200	1,416
Minority Interest	4	4	7	8	9	8	8	8
Loans	64	59	33	41	63	68	70	72
Deferred tax Liability	-33	-41	-41	-28	-32	-32	-32	-32
Capital Employed	357	388	430	629	867	1,038	1,246	1,464
Gross Fixed Assets	474	565	792	896	1,074	1,240	1,425	1,610
Less: Depreciation	150	187	232	300	367	456	552	664
Net Fixed Assets	323	378	561	596	706	784	873	946
Capital Work in Progress	128	151	168	225	240	259	259	259
Investments	9	23	24	31	39	44	49	54
Current Assets	1,007	1,025	1,141	1,344	1,360	1,361	1,651	1,822
Inventory	66	89	71	82	102	106	125	134
Debtors	144	196	114	131	133	140	166	177
Other Current Assets	490	524	589	688	787	787	929	994
Loans and Advances	11	6	4	4	4	4	4	4
Cash (incl. bank balance)	295	209	365	440	335	323	427	513
Current Liabilities	1,110	1,189	1,464	1,567	1,478	1,409	1,585	1,616
Payables	101	76	86	85	84	84	99	106
Other current liabilities	1,009	1,113	1,378	1,482	1,394	1,325	1,486	1,510
Net Curr. Assets	-104	-164	-322	-223	-118	-49	66	206
Application of Funds	357	388	430	629	867	1,038	1,246	1,464

Financials and valuations

Ratios

Y/E March	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
Basic								
Adjusted EPS	27.1	20.6	28.2	51.5	60.7	55.5	68.8	71.9
Cash EPS	32.7	26.6	35.4	62.6	71.6	69.9	84.4	90.1
Book Value	52.2	59.3	70.0	98.7	134.2	161.3	194.8	229.7
DPS	12.0	16.0	17.0	24.3	25.5	27.7	34.4	35.9
Payout (incl. Div. Tax.)	44.4	77.6	60.4	47.1	42.0	50.0	50.0	50.0
Valuation (x)								
P/E	14.0	18.4	13.5	7.4	6.3	6.9	5.5	5.3
Cash P/E	11.6	14.3	10.7	6.1	5.3	5.4	4.5	4.2
P/BV	7.3	6.4	5.4	3.8	2.8	2.4	2.0	1.7
EV/Adj. EBITDA	7.7	10.9	7.1	4.8	4.9	5.2	3.6	3.3
Dividend Yield (%)	3.2	4.2	4.5	6.4	6.7	7.3	9.1	9.5
Turnover Ratios								
Debtor (Days)	54.7	79.6	37.8	34.5	34.0	36.0	36.0	36.0
Inventory (Days)	25.1	36.3	23.5	21.5	26.1	27.1	27.1	27.1
Payables (Days)	38.4	31.0	28.6	22.6	21.5	21.5	21.5	21.5
Asset turnover(x)	2.7	2.3	2.6	2.2	1.6	1.4	1.3	1.2
Profitability Ratios (%)								
Adj. EBITDA Margin	28.6	22.2	25.9	29.4	29.4	28.3	33.1	32.3
APAT Margin	17.4	14.1	15.8	23.0	26.3	24.0	25.2	24.6
RoE	52.0	34.8	40.2	52.2	45.2	34.4	35.3	31.3
RoCE (post tax)	56.4	35.4	43.5	60.9	50.2	36.2	37.4	32.9
Leverage Ratio								
Net Debt/Equity (x)	-0.7	-0.4	-0.8	-0.7	-0.3	-0.3	-0.3	-0.3

Cash Flow Statement

(INR b)

Y/E March	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
Adj EBITDA*	275	200	285	406	418	402	557	581
(Inc)/Dec in WC	-123	-56	175	27	-162	-81	-11	-54
Taxes paid	-119	-57	-63	-97	-117	-108	-141	-147
Others	10	19	15	22	42	71	48	62
CF from Operations	41	106	411	357	181	284	453	442
Capex	-56	-109	-120	-152	-167	-185	-185	-185
Free Cash Flow	-15	-3	291	205	14	99	268	257
(Pur)/Sale of Investments	-5	-8	-8	-7	-3	-5	-5	-5
Interest/dividend	35	22	11	27	29	70	62	65
Other investing activity	29	96	-140	-103	97	0	0	0
CF from Investments	3	2	-257	-235	-45	-120	-128	-125
Equity raised/(repaid)	0	0	0	0	0	0	0	0
Debt raised/(repaid)	23	-6	-26	8	15	5	2	2
Interest paid	-1	-2	-1	-2	-3	-10	-11	-11
Dividend (incl. tax)	-97	-77	-108	-143	-151	-171	-212	-222
Other financing	5	0	0	0	0	0	0	0
CF from Fin. Activity	-70	-85	-134	-137	-139	-176	-221	-231
Inc/Dec of Cash	-25	23	20	-14	-3	-11	104	86
Add: Beginning Cash Balance	53	28	51	71	56	53	42	146
Closing cash Balance	28	51	71	56	53	42	146	232
Bank Balance	267	158	294	383	281	281	281	281
Closing Balance (incl. bank bal.)	295	209	365	440	335	323	427	513

Investment in securities market are subject to market risks. Read all the related documents carefully before investing

Explanation of Investment Rating	
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

*In case the recommendation given by the Research Analyst is inconsistent with the investment rating legend for a continuous period of 30 days, the Research Analyst shall be within following 30 days take appropriate measures to make the recommendation consistent with the investment rating legend.

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