

# Coal India | BUY

## A few dips does not change future; maintain BUY

Coal India reported a production of 46.1 MT in August 2024, a 12% YoY decline due to extended monsoon rains, especially in key coal-producing states like Odisha, Jharkhand, and West Bengal. Global coal prices have corrected significantly, driven by oversupply in China, leading to the consolidation of Indonesian coal (5,900 GAR) prices around USD 92-96/t, and Coal India's e-auction prices too remain range-bound INR 2,300-2,500/t. With a doable production target of 838 MT for FY25 (and a more ambitious MoU target of 908 MT), our confidence in Coal India's long-term growth remains strong, supported by favorable macros, including record power demand, renewed focus on thermal capacity addition, and strategic initiatives like MDO. We maintain our BUY rating with an unchanged target price of INR 601.

- Production:** Coal India reported a production of 46.1 MT in August 2024, marking a 12% YoY decline. With this, total production for April-August 2024 reached 290.4 MT, a 3.2% growth YoY. The decline in August production was primarily due to extended monsoon rains, particularly in the key coal-producing states of Odisha, Jharkhand, and West Bengal. Notably, India received only 162.7 mm of rainfall in August 2023, 36% below the Long Period Average (LPA) of 254.9 mm (based on data from 1971-2020), making it the lowest August rainfall since 1901, surpassing the previous record of 191.2 mm in 2005. Due to this, company had 13.2% YoY growth in production during Aug'23.
- Moderation in coal and E-auction prices:** Global coal prices have significantly corrected due to oversupply in China, the world's largest coal producer. Indonesian coal (5,900 GAR) has declined from a peak of USD 221/t in October 2021 to USD 88/t in August 2023, now consolidating between USD 92-96/t. South African coal (6,000 GAR) fell from USD 430/t in March 2022 to USD 91/t in February 2024, currently stabilizing at USD 104-107/t. Similarly, Australian coal prices peaked at USD 447/t in September 2022 and are now at USD 135-140/t. Reflecting global trends and domestic demand, Coal India's e-auction prices have remained range-bound at INR 2,300-2,500/t from November 2023 to June 2024, down from INR 3,431/t in April 2023.
- Target for FY25:** The Government of India has set a production target of 838 MT for Coal India in FY25. However, Coal India has committed to a more ambitious target in its Memorandum of Understanding (MoU) with the Ministry of Coal, aiming for 908 MT of production, INR 1.54 trillion in revenue from operations, and a capex of INR 15.5 billion for FY25.
- JM view:** As India experiences record-high peak power and energy demand growth (11.5%/8.6% YoY during Apr-Jul'24) and faces increasing shortages during non-solar hours, the government has renewed its focus on adding new thermal capacity (93 GW by FY32), reaffirming coal's importance. Supported by strong demand and production momentum (8% YoY growth in 1QFY25, excluding monsoon months Jul-Aug'24), we estimate CIL to achieve production of 839 MT in FY25E and 915 MT in FY26E. Additionally, Indonesia coal prices (5,900 GAR) have stabilized after a sharp correction (from USD 218/ton in Mar'22 to USD 88/ton in Aug'23), suggesting stable e-auction prices (INR 2400-2600/ton). Despite short-term challenges, we remain optimistic about CIL's long-term growth and maintain our BUY rating with an unchanged target price of INR 601.



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### Recommendation and Price Target

Current Reco.	BUY
Previous Reco.	BUY
Current Price Target (12M)	601
Upside/(Downside)	15.6%
Previous Price Target	601
Change	0.0%

### Key Data – COAL IN

Current Market Price	INR520
Market cap (bn)	INR3,202.2/US\$38.1
Free Float	27%
Shares in issue (mn)	6,162.7
Diluted share (mn)	6,162.7
3-mon avg daily val (mn)	INR6,133.1/US\$73.0
52-week range	545/238
Sensex/Nifty	82,555/25,280
INR/US\$	84.0

### Price Performance

%	1M	6M	12M
Absolute	-0.9	15.9	119.3
Relative*	-2.8	3.7	74.4

\* To the BSE Sensex

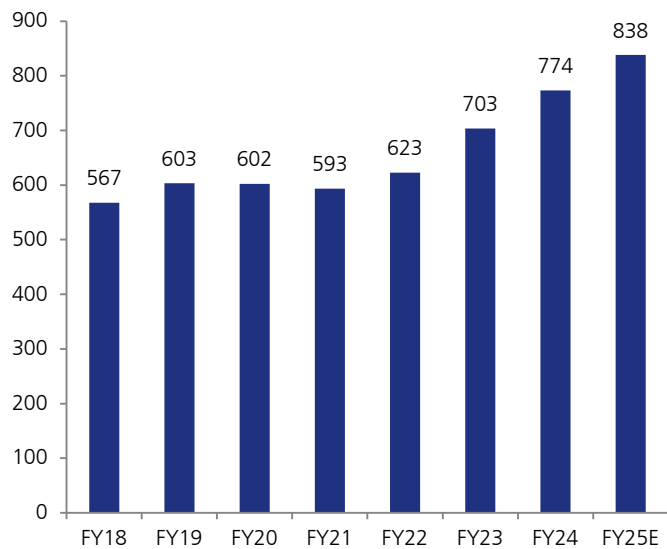
Financial Summary	(INR mn)				
Y/E March	FY22A	FY23A	FY24A	FY25E	FY26E
Net Sales	10,97,135	13,82,519	14,23,240	14,86,419	16,10,458
Sales Growth (%)	21.9	26.0	2.9	4.4	8.3
EBITDA	2,48,748	4,42,402	4,79,715	4,44,602	4,90,827
EBITDA Margin (%)	22.7	32.0	33.7	29.9	30.5
Adjusted Net Profit	1,75,628	3,17,230	3,73,691	3,19,850	3,49,230
Diluted EPS (INR)	28.5	51.5	60.6	51.9	56.7
Diluted EPS Growth (%)	28.0	80.6	17.8	-14.4	9.2
ROIC (%)	102.9	204.0	89.3	55.6	58.1
ROE (%)	44.1	61.0	52.1	34.4	30.5
P/E (x)	18.2	10.1	8.6	10.0	9.2
P/B (x)	7.4	5.3	3.9	3.1	2.5
EV/EBITDA (x)	11.5	6.3	6.0	5.9	5.1
Dividend Yield (%)	3.3	4.7	3.7	3.7	3.7

Source: Company data, JM Financial. Note: Valuations as of 03/Sep/2024

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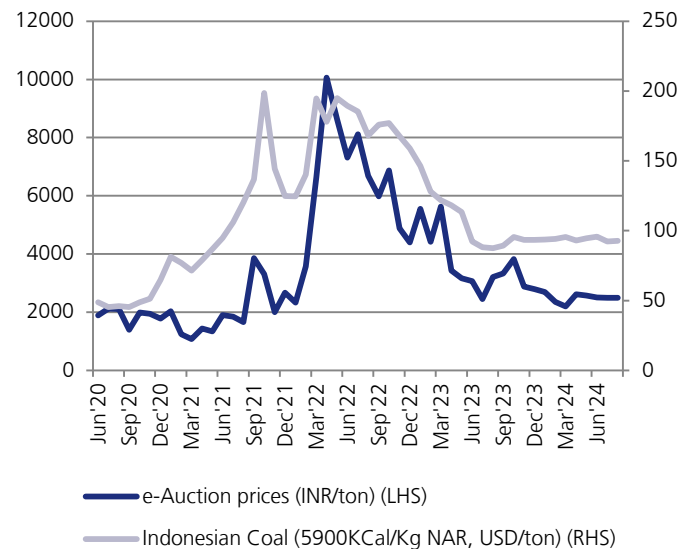
Please see Appendix I at the end of this report for Important Disclosures and Disclaimers and Research Analyst Certification.

Exhibit 1. Annual production (MT)



Source: Company, JM Financial

Exhibit 2. E-auction and Indonesian coal prices



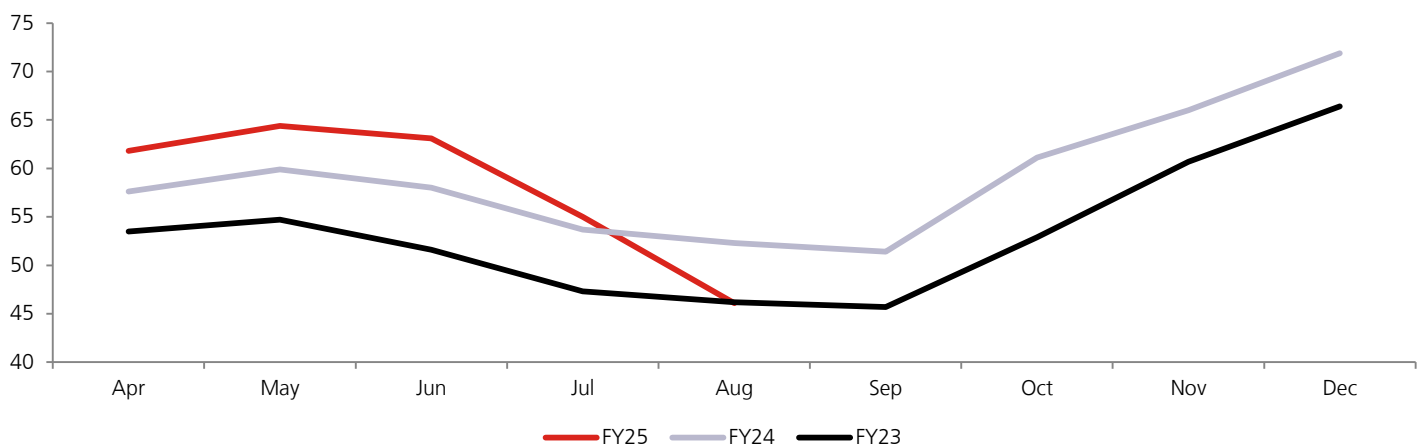
Source: Elekore, JM Financial

Exhibit 3. Monthly production and offtake (MT)

	Production					Offtake				
	YTD FY25	FY24	% Share	FY23	% Share	YTD FY25	FY24	% Share	FY23	% Share
Apr	61.8	57.6	7%	53.5	8%	64.3	62.3	8%	57.4	8%
May	64.4	59.9	8%	54.7	8%	68.2	63.7	8%	61.2	9%
Jun	63.1	58	7%	51.6	7%	64.1	60.8	8%	58.9	8%
Jul	55	53.7	7%	47.3	7%	59.6	59.5	8%	54.5	8%
Aug	46.1	52.3	7%	46.2	7%	52.1	59.1	8%	51.2	7%
Sep		51.4	7%	45.7	6%		55.1	7%	48.9	7%
Oct		61.1	8%	52.9	8%		61.6	8%	53.7	8%
Nov		66	9%	60.7	9%		63.1	8%	59.4	9%
Dec		71.9	9%	66.4	9%		66.6	9%	62.7	9%
Jan		78.4	10%	71.9	10%		67.6	9%	64.4	9%
Feb		74.8	10%	68.8	10%		65.3	9%	58.3	8%
Mar		88.6	11%	83.5	12%		68.8	9%	64.2	9%
<b>Total</b>	<b>290.4</b>	<b>773.7</b>	<b>100%</b>	<b>703.2</b>	<b>100%</b>	<b>308.3</b>	<b>753.5</b>	<b>100%</b>	<b>694.8</b>	<b>100%</b>

Source: Company, JM Financial

Exhibit 4. Monthly production and offtake trend (MT)



Source: Company, JM Financial

## Valuation

### Exhibit 5. DCF Valuation

Particulars	FY23	FY24	FY25	FY26	FY27	FY28	FY29	FY30	FY40
FCFE	279,135	126,868	220,643	256,516	275,755	295,747	316,449	337,018	440,977
Disc Factor		1.00	0.90	0.82	0.74	0.67	0.60	0.54	0.2
<b>PV of FCFE</b>		<b>126,868</b>	<b>163,295</b>	<b>200,635</b>	<b>194,924</b>	<b>188,934</b>	<b>182,702</b>	<b>175,849</b>	<b>83,635</b>

Particulars	INR mn	Assumptions	
PV of Cash Flows (FY24-40)	2,475,020	Terminal Growth Rate %	2%
PV of Terminal Cash Flow	943,922	WACC %	11%
Net Cash	302,352		
<b>Total Value of Equity</b>	<b>3,721,294</b>		
No of Shares	6,163		
<b>Value per Share</b>	<b>601</b>		

Source: Company, JM Financial

## Valuation Bands

### Exhibit 6. P/B



Source: Bloomberg, JM Financial

### Exhibit 7. EV/EBITDA



Source: Bloomberg, JM Financial

## Financial Tables (Consolidated)

Income Statement		(INR mn)				
Y/E March	FY22A	FY23A	FY24A	FY25E	FY26E	
Net Sales	10,97,135	13,82,519	14,23,240	14,86,419	16,10,458	
Sales Growth	21.9%	26.0%	2.9%	4.4%	8.3%	
Other Operating Income	0	0	0	0	0	
<b>Total Revenue</b>	<b>10,97,135</b>	<b>13,82,519</b>	<b>14,23,240</b>	<b>14,86,419</b>	<b>16,10,458</b>	
Cost of Goods Sold/Op. Exp	3,71,204	3,30,246	3,15,182	4,71,627	5,29,341	
Personnel Cost	4,07,008	4,94,102	4,87,826	4,73,383	4,76,324	
Other Expenses	70,174	1,15,770	1,40,517	96,807	1,13,966	
<b>EBITDA</b>	<b>2,48,748</b>	<b>4,42,402</b>	<b>4,79,715</b>	<b>4,44,602</b>	<b>4,90,827</b>	
EBITDA Margin	22.7%	32.0%	33.7%	29.9%	30.5%	
EBITDA Growth	26.6%	77.9%	8.4%	-7.3%	10.4%	
Depn. & Amort.	44,287	68,329	67,354	70,023	72,229	
EBIT	2,04,462	3,74,072	4,12,361	3,74,579	4,18,598	
Other Income	39,045	65,598	79,691	70,000	70,000	
Finance Cost	5,415	6,843	8,194	7,930	10,083	
PBT before Excep. & Forex	2,38,092	4,32,827	4,83,858	4,36,650	4,78,515	
Excep. & Forex Inc./Loss(-)	0	0	0	0	0	
PBT	2,38,092	4,32,827	4,83,858	4,36,650	4,78,515	
Taxes	62,379	1,15,516	1,14,435	1,16,800	1,29,285	
Extraordinary Inc./Loss(-)	-1,843	0	0	0	0	
Assoc. Profit/Min. Int.(-)	-86	-81	4,268	0	0	
Reported Net Profit	1,73,784	3,17,230	3,73,691	3,19,850	3,49,230	
<b>Adjusted Net Profit</b>	<b>1,75,628</b>	<b>3,17,230</b>	<b>3,73,691</b>	<b>3,19,850</b>	<b>3,49,230</b>	
Net Margin	16.0%	22.9%	26.3%	21.5%	21.7%	
Diluted Share Cap. (mn)	6,162.7	6,162.7	6,162.7	6,162.7	6,162.7	
<b>Diluted EPS (INR)</b>	<b>28.5</b>	<b>51.5</b>	<b>60.6</b>	<b>51.9</b>	<b>56.7</b>	
Diluted EPS Growth	28.0%	80.6%	17.8%	-14.4%	9.2%	
Total Dividend + Tax	1,04,766	1,49,446	1,17,092	1,17,092	1,17,092	
Dividend Per Share (INR)	17.0	24.3	19.0	19.0	19.0	

Source: Company, JM Financial

Balance Sheet		(INR mn)				
Y/E March	FY22A	FY23A	FY24A	FY25E	FY26E	
Shareholders' Fund	4,31,430	6,08,429	8,27,298	10,30,056	12,62,194	
Share Capital	61,627	61,627	61,627	61,627	61,627	
Reserves & Surplus	3,69,803	5,46,802	7,65,671	9,68,429	12,00,567	
Preference Share Capital	0	0	0	0	0	
Minority Interest	6,738	7,707	8,521	8,521	8,521	
Total Loans	33,018	41,063	56,172	52,555	65,220	
Def. Tax Liab. / Assets (-)	-33,271	-11,706	-13,903	-13,903	-13,903	
<b>Total - Equity &amp; Liab.</b>	<b>4,37,915</b>	<b>6,45,493</b>	<b>8,78,088</b>	<b>10,77,230</b>	<b>13,22,033</b>	
Net Fixed Assets	5,95,741	8,21,694	9,46,285	8,93,910	9,94,731	
Gross Fixed Assets	6,39,623	5,70,345	6,79,004	10,26,719	11,99,540	
Intangible Assets	2,890	49,475	69,399	69,399	69,399	
Less: Depn. & Amort.	2,12,645	0	0	4,00,090	4,72,090	
Capital WIP	1,65,873	2,01,875	1,97,882	1,97,882	1,97,882	
Investments	97,064	71,394	71,104	71,104	71,104	
Current Assets	10,68,248	13,03,073	13,27,209	16,06,912	17,60,409	
Inventories	70,757	81,547	1,01,772	1,06,290	1,15,160	
Sundry Debtors	1,13,677	1,30,605	1,32,558	1,58,823	1,72,076	
Cash & Bank Balances	2,91,795	3,99,217	3,02,352	5,51,272	6,82,646	
Loans & Advances	3,536	3,930	3,803	3,803	3,803	
Other Current Assets	5,88,484	6,87,775	7,86,725	7,86,725	7,86,725	
Current Liab. & Prov.	13,23,137	15,50,668	14,66,510	14,94,697	15,04,212	
Current Liabilities	1,76,110	1,87,701	2,02,026	2,32,197	2,41,712	
Provisions & Others	11,47,027	13,62,967	12,64,484	12,62,500	12,62,500	
Net Current Assets	-2,54,889	-2,47,595	-1,39,301	1,12,215	2,56,197	
<b>Total - Assets</b>	<b>4,37,915</b>	<b>6,45,493</b>	<b>8,78,088</b>	<b>10,77,230</b>	<b>13,22,033</b>	

Source: Company, JM Financial

Cash Flow Statement		(INR mn)				
Y/E March	FY22A	FY23A	FY24A	FY25E	FY26E	
Profit before Tax	2,38,092	4,32,746	4,88,126	4,36,650	4,78,515	
Depn. & Amort.	63,073	68,329	67,354	70,023	72,229	
Net Interest Exp. / Inc. (-)	0	-25,063	-30,624	7,930	10,083	
Inc (-) / Dec in WCAP.	1,74,479	26,522	-1,61,835	-613	-12,608	
Others	-1,929	-47,694	-64,724	-70,000	-70,000	
Taxes Paid	-62,840	-97,497	-1,17,267	-1,16,800	-1,29,285	
<b>Operating Cash Flow</b>	<b>4,10,875</b>	<b>3,57,342</b>	<b>1,81,030</b>	<b>3,27,189</b>	<b>3,48,934</b>	
Capex	-2,75,984	-1,41,072	-1,63,085	-1,65,000	-1,65,000	
Free Cash Flow	1,34,891	2,16,270	17,945	1,62,189	1,83,934	
Inc (-) / Dec in Investments	0	0	0	0	0	
Others	11,174	-93,583	1,18,227	2,64,264	61,950	
<b>Investing Cash Flow</b>	<b>-2,64,810</b>	<b>-2,34,655</b>	<b>-44,858</b>	<b>99,264</b>	<b>-1,03,050</b>	
Inc / Dec (-) in Capital	0	0	0	0	0	
Dividend + Tax thereon	-1,07,834	-1,43,281	-1,50,979	-1,17,092	-1,17,092	
Inc / Dec (-) in Loans	-25,732	8,045	15,011	-3,617	12,665	
Others	1,53,303	-1,808	-3,025	1,92,070	-10,083	
<b>Financing Cash Flow</b>	<b>19,738</b>	<b>-1,37,044</b>	<b>-1,38,993</b>	<b>71,362</b>	<b>-1,14,510</b>	
<b>Inc / Dec (-) in Cash</b>	<b>1,65,802</b>	<b>-14,356</b>	<b>-2,820</b>	<b>4,97,815</b>	<b>1,31,374</b>	
Opening Cash Balance	1,25,992	70,633	56,277	53,457	5,51,272	
Closing Cash Balance	2,91,794	56,277	53,457	5,51,272	6,82,646	

Source: Company, JM Financial

Dupont Analysis		FY22A	FY23A	FY24A	FY25E	FY26E
Net Margin		16.0%	22.9%	26.3%	21.5%	21.7%
Asset Turnover (x)		0.6	0.7	0.6	0.6	0.6
Leverage Factor (x)		4.3	3.9	3.2	2.7	2.4
RoE		44.1%	61.0%	52.1%	34.4%	30.5%

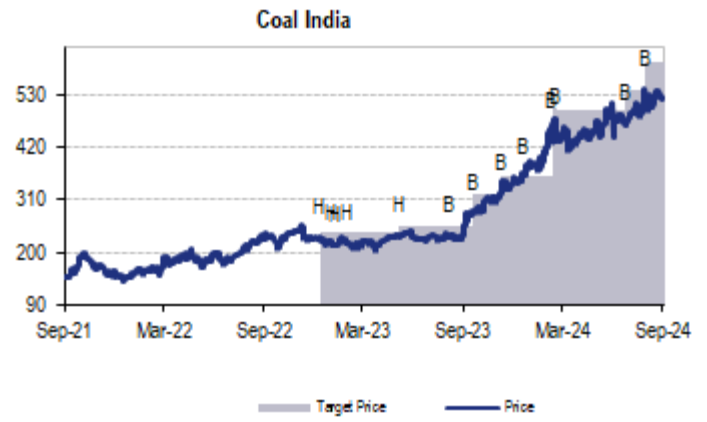
Key Ratios		FY22A	FY23A	FY24A	FY25E	FY26E
BV/Share (INR)		70.0	98.7	134.2	167.1	204.8
ROIC		102.9%	204.0%	89.3%	55.6%	58.1%
ROE		44.1%	61.0%	52.1%	34.4%	30.5%
Net Debt/Equity (x)		-0.8	-0.7	-0.4	-0.6	-0.5
P/E (x)		18.2	10.1	8.6	10.0	9.2
P/B (x)		7.4	5.3	3.9	3.1	2.5
EV/EBITDA (x)		11.5	6.3	6.0	5.9	5.1
EV/Sales (x)		2.6	2.0	2.0	1.8	1.6
Debtor days		38	34	34	39	39
Inventory days		24	22	26	26	26
Creditor days		37	33	32	40	40

Source: Company, JM Financial

History of Recommendation and Target Price

Date	Recommendation	Target Price	% Chg.
14-Dec-22	Hold	240	
4-Jan-23	Hold	240	0.0
11-Jan-23	Hold	240	0.1
1-Feb-23	Hold	240	-0.2
7-May-23	Hold	255	6.4
9-Aug-23	Buy	255	0.0
22-Sep-23	Buy	320	25.6
10-Nov-23	Buy	360	12.5
21-Dec-23	Buy	360	0.0
13-Feb-24	Buy	500	38.8
19-Feb-24	Buy	500	-0.1
25-Jun-24	Buy	540	7.9
1-Aug-24	Buy	601	11.3

Recommendation History



## APPENDIX I

## JM Financial Institutional Securities Limited

Corporate Identity Number: U67100MH2017PLC296081

Member of BSE Ltd. and National Stock Exchange of India Ltd.

SEBI Registration Nos.: Stock Broker - INZ000163434, Research Analyst - INH000000610

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Rating	Meaning
Buy	Total expected returns of more than 10% for stocks with market capitalisation in excess of INR 200 billion and REITs* and more than 15% for all other stocks, over the next twelve months. Total expected return includes dividend yields.
Hold	Price expected to move in the range of 10% downside to 10% upside from the current market price for stocks with market capitalisation in excess of INR 200 billion and REITs* and in the range of 10% downside to 15% upside from the current market price for all other stocks, over the next twelve months.
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\* REITs refers to Real Estate Investment Trusts.

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