

Coal India

Strong profitability; Volume target on track

Coal India (COAL IN) reported higher than estimate EBITDA ex OBR at Rs119bn (CentrumE: Rs109.5bn), up 6.2% YoY/ up 34% QoQ and EBITDA/t declined by 2.4% YoY at Rs624/t (CentrumE: Rs573/t). The YoY increase is primarily due to increase in sales volume (up 8% YoY) partially offset by 6% YoY fall in blended realisation. The FSA and e-auction sales volume increased by 9% YoY and 8% YoY, while, realisation declined by 6.4% YoY and 34% YoY respectively due to higher premium in base year. Employee cost remain steady YoY at Rs115bn; however, on per tonne basis, declined by 9% YoY. Hence, overall CoP/t declined by 7.1% YoY. We incorporate higher volume by 3.5%/4.5% as well as lower CoP resulting in 23%/28% increase in FY25/FY26 EBITDA, respectively. Hence, our target price is revised upwards to Rs458/sh, valuing at 5x average FY25E/FY26E EV/EBITDA. We maintain ADD rating.

FSA volume increased 9% YoY; E-auction volumes up 53% YoY

COAL's revenue increased 2.8% YoY to Rs361.5bn due to higher volume partially offset by lower realisation. Overall volume increased 8.8% YoY to 191mt (FSA volume up 9.2% YoY to 172mt while e-auction volume was up 7.6% YoY to 15.8mt). During Q3FY24, E-auction sales recorded fall of 29% YoY as e-auction premium stood lower at 117% vs 241% in Q3FY23. The e-auction coal price declined 34.2% YoY to Rs3,321/t. FSA revenue was up 12.8% on back of higher volume (up 9% YoY) as well as price was up 3% YoY to Rs1,532/t. Blended coal realization, at Rs1,727/t, was down 6.4% YoY.

EBITDA/t stood lower 2.4% YoY at Rs624/t

Employee cost during the quarter was flattish to Rs115.7bn YoY. Employee cost per tonne basis stood ~9.2% YoY lower at Rs582/t. Overall CoP, at Rs1,266/t, was down 7% YoY. As a result, EBITDA (ex-OBR)/t was down ~2.4% YoY to Rs624. COAL recorded e-auction derived EBITDA/t of Rs2,055/t down 44% YoY owing to sharp fall in premium while FSA derived EBITDA/t expanded to Rs266/t (vs Rs120/t in Q3FY23) owing to 3.3% YoY increase in realisation and decrease in CoP.

Maintain ADD with a target price of Rs458

We believe coal demand will remain high and COAL will be able to efficiently increase volume by 7% CAGR over FY23-26. Besides, incremental volume of more than 150mt will generate sustainable EBITDA/t of ~Rs1000/t. High profitability will ensure enough cash after capex (FY24-26: FCF of Rs190-280bn/year) for higher dividend. We expect DPS of Rs30/30 in each of FY24/FY25; a dividend yield of 7%. Our target price is Rs458, valuing COAL at 5x average FY25E/FY26E EV/EBITDA. Maintain ADD.

Financial and valuation summary

YE Mar (Rs mn)	3QFY24A	3QFY23A	YoY (%)	2QFY24A	QoQ (%)	FY24E	FY25E	FY26E
Revenues	3,61,540	3,51,693	2.8	3,27,764	10.3	13,14,336	13,96,686	14,70,504
EBITDA	1,19,364	1,12,357	6.2	88,936	34.2	4,08,544	4,51,040	4,93,894
EBITDA margin (%)	33.0	31.9	3.3	27.1	21.7	28.7	29.8	31.0
Adj. Net profit	96,570	85,661	12.7	75,701	27.6	2,74,099	2,99,762	3,26,140
Adj. EPS (Rs)	15.7	13.9	12.7	12.3	27.6	44.5	48.6	52.9
EPS growth (%)						(14.2)	9.4	8.8
PE (x)						9.8	8.9	8.2
EV/EBITDA (x)						5.6	5.0	4.3
PBV (x)						4.0	3.4	2.9
RoE (%)						44.4	41.7	38.5
RoCE (%)						41.6	39.4	36.5

Source: Bloomberg, Centrum Broking

Result Update

India I Metals & Mining

13 February, 2024

ADD

Price: Rs433

Target Price: Rs458

Forecast return: 6%

Institutional Research

Market Data

Bloomberg:	COAL IN
52 week H/L:	469/208
Market cap:	Rs2667.2bn
Shares Outstanding:	6162.7mn
Free float:	26.3%
Avg. daily vol. 3mth:	1,59,77,490

Source: Bloomberg

Changes in the report

Rating:	ADD; no change
Target price:	Rs458; up 26%
EPS:	FY24E: Rs44.5; up 16.3% FY25E: Rs49; up 26%

Source: Centrum Broking

Shareholding pattern

	Dec-23	Sep-23	Jun-23	Mar-23
Promoter	63.1	63.1	63.1	66.1
FIIIs	8.6	7.8	9.3	7.8
DIIIs	23.2	24.2	22.4	21.1
Public/other	5.1	4.9	5.2	4.9

Source: BSE

Centrum estimates vs Actual results

YE Mar (Rs mn)	Centrum Q4FY23	Actual Q4FY23	Variance (%)
Revenue	3,69,805	3,61,540	-2.2
EBITDA	1,09,521	1,19,364	9.0
EBITDA margin (%)	29.6	33.0	
Adj. PAT	87,788	96,570	10.0

Source: Bloomberg, Centrum Broking

Metals & Mining



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Thesis Snapshot

Estimate revision

YE Mar (Rs mn)	FY24E New	FY24E Old	% chg	FY25E New	FY25E Old	% chg
Revenue	14,21,943	14,04,976	1.2	15,11,919	14,47,753	4.4
EBITDA	4,08,544	3,56,325	14.7	4,51,040	3,65,375	23.4
EBITDA margin %	28.7	25.4		29.8	25.2	
Adj. PAT	2,74,099	2,35,643	16.3	2,99,762	2,37,429	26.3
Diluted EPS (Rs)	44.5	38	16.3	49	39	26.3

Source: Centrum Broking

Coal India versus NIFTY 50

	1m	6m	1 year
COAL IN	13.6	84.2	104.6
NIFTY 50	(1.3)	11.3	21.1

Source: Bloomberg, NSE

Key assumptions

mt	FY22	FY23E	FY24E	FY25E	FY26E
Production	623	703	760	813	854
Sales	660	695	753	806	846
FSA	540	619	675	719	748
E-auction	111	62	63	72	83
Washed Coal	7	11	11	11	11
Other by-products	4	4	4	4	4
End Inventory	60	68	75	82	90
(Rs/t)					
Blended Realisation	1,526	1,830	1,747	1,733	1,738
FSA	1,407	1,480	1,547	1,562	1,578
E-auction	1,879	4,866	3,300	3,000	2,800
Washed Coal	3,328	3,523	4,504	3,927	3,942
Blended cost/t	1,228	1,405	1,347	1,317	1,297
EBITDA/t on FSA	180	76	200	246	281
EBITDA/t on E-auction	652	3,462	1,953	1,683	1,503

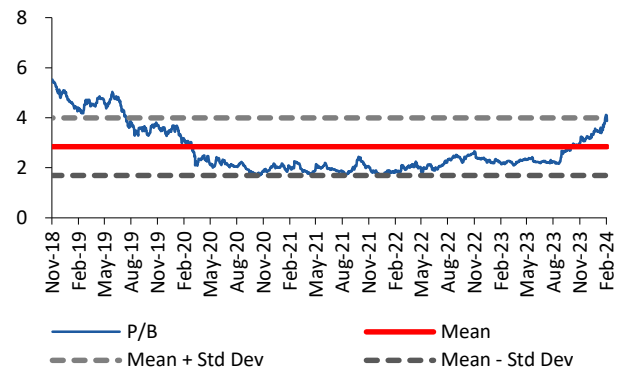
Source: Centrum Broking

Valuations

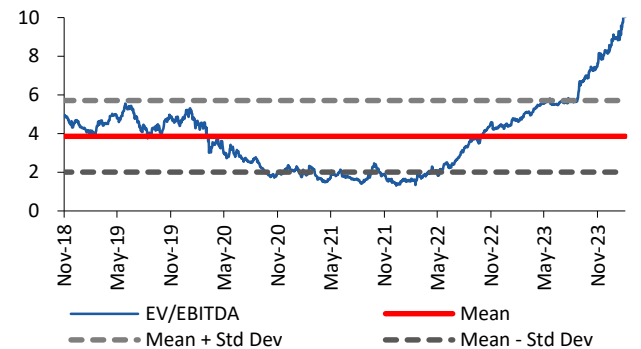
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Valuations	Rs/share	
Particulars (Rs m)	FY25	FY26E
EBITDA	4,51,040	4,93,894
Multiple (x)	5.0	5.0
Enterprise value	22,55,200	24,69,470
Average net debt	-4,30,374	-5,04,357
Implied Market-cap	26,85,574	29,73,826
No of shares (mn)	6,163	6,163
TP (per share)	435	482
Final TP (average FY25-26E)		458

P/B mean and standard deviation



EV/EBITDA mean and standard deviation



Source: Bloomberg, Centrum Broking

Exhibit 1: Sales volume breakup

(MT)	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	YoY (%)	QoQ (%)
Total sales	175.8	187.0	187.0	174.0	191.2	8.8	10.1
FSA	157.8	167.5	167.5	154.6	172.3	9.2	11.4
E-auction	14.7	16.4	16.1	15.8	15.8	7.6	(0.3)
Washed coal	2.1	1.8	2.1	2.3	1.9	(9.6)	(16.4)

Source: Centrum Broking, Company

Exhibit 2: Realisation/t breakup

(Rs/t)	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	YoY (%)	QoQ (%)
Blended realisation	1,845	1,880	1,769	1,726	1,727	(6.4)	0.1
FSA	1,482	1,550	1,536	1,542	1,532	3.4	(0.6)
E-auction	5,047	4,525	3,742	2,838	3,321	(34.2)	17.0
Washed coal	4,330	6,615	4,407	5,820	4,788	10.6	(17.7)

Source: Centrum Broking, Company Data

Exhibit 3: Per tonne analysis

(Rs/t)	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	YoY (%)	QoQ (%)
Blended cost	1,361	1,577	1,328	1,375	1,266	(7.0)	(7.9)
Cost excl employee cost	706	669	692	704	661	(6.3)	(6.1)
EBITDA	639	463	597	512	624	(2.4)	21.9
EBITDA (FSA)	120	(27)	208	167	266	120.9	59.2
EBITDA (e-auction)	3,686	2,948	2,414	1,463	2,055	(44.3)	40.4

Source: Centrum Broking, Company Data

P&L					
YE Mar (Rs mn)	FY22A	FY23A	FY24E	FY25E	FY26E
Revenues	10,06,234	12,76,275	13,14,336	13,96,686	14,70,504
Operating Expense	3,35,439	3,99,653	4,48,900	4,88,746	5,19,125
Employee cost	4,07,008	4,94,092	4,72,080	4,71,891	4,71,702
Others	70,174	82,505	92,420	1,00,242	1,06,778
EBITDA	2,84,514	4,06,270	4,08,544	4,51,040	4,93,894
Depreciation & Amortisation	44,287	46,753	55,497	63,637	73,997
EBIT	2,40,227	3,59,517	3,53,047	3,87,403	4,19,897
Interest expenses	5,415	6,843	4,115	4,115	1,297
Other income	39,045	65,507	18,000	18,000	18,000
PBT	2,73,857	4,18,181	3,66,932	4,01,288	4,36,599
Taxes	62,379	98,759	92,834	1,01,526	1,10,460
Effective tax rate (%)	22.8	23.6	25.3	25.3	25.3
PAT	2,11,479	3,19,422	2,74,099	2,99,762	3,26,140
Minority/Associates	0	0	0	0	0
Recurring PAT	2,11,479	3,19,422	2,74,099	2,99,762	3,26,140
Extraordinary items	0	0	0	0	0
Reported PAT	2,11,479	3,19,422	2,74,099	2,99,762	3,26,140

Ratios					
YE Mar	FY22A	FY23A	FY24E	FY25E	FY26E
Growth (%)					
Revenue	21.7	26.8	3.0	6.3	5.3
EBITDA	42.1	42.8	0.6	10.4	9.5
Adj. EPS	49.4	51.0	(14.2)	9.4	8.8
Margins (%)					
Gross	97.3	97.9	96.8	96.5	96.5
EBITDA	25.9	29.4	28.7	29.8	31.0
EBIT	21.9	26.0	24.8	25.6	26.4
Adjusted PAT	19.3	23.1	19.3	19.8	20.5
Returns (%)					
ROE	53.1	63.6	44.4	41.7	38.5
ROCE	47.9	59.4	41.6	39.4	36.5
ROIC	133.3	235.6	136.0	109.0	98.1
Turnover (days)					
Gross block turnover ratio (x)	1.6	1.8	1.6	1.5	1.4
Debtors	52	32	34	33	34
Inventory	27	20	21	21	21
Creditors	28	23	22	22	22
Net working capital	129	113	109	116	131
Solvency (x)					
Net debt-equity	(0.8)	(0.7)	(0.6)	(0.6)	(0.6)
Interest coverage ratio	52.5	59.4	99.3	109.6	380.7
Net debt/EBITDA	(1.2)	(1.0)	(1.0)	(1.0)	(1.1)
Per share (Rs)					
Adjusted EPS	34.3	51.8	44.5	48.6	52.9
BVPS	70.0	92.9	107.4	126.0	148.9
CEPS	41.5	59.4	53.5	59.0	64.9
DPS	17.0	24.3	30.0	30.0	30.0
Dividend payout (%)	49.5	46.8	67.5	61.7	56.7
Valuation (x)					
P/E	12.6	8.4	9.8	8.9	8.2
P/BV	6.2	4.7	4.0	3.4	2.9
EV/EBITDA	8.3	5.6	5.6	5.0	4.3
Dividend yield (%)	3.9	5.6	6.9	6.9	6.9

Source: Company, Centrum Broking

Balance sheet					
YE Mar (Rs mn)	FY22A	FY23A	FY24E	FY25E	FY26E
Equity share capital	61,627	61,627	61,627	61,627	61,627
Reserves & surplus	3,78,629	5,16,782	6,05,998	7,20,879	8,62,136
Shareholders fund	4,31,430	5,72,449	6,61,666	7,76,546	9,17,804
Minority Interest	6,738	7,707	7,707	7,707	7,707
Total debt	33,098	41,147	41,147	41,147	41,147
Non Current Liabilities	7,51,092	7,90,195	8,12,757	8,61,573	9,05,330
Def tax liab. (net)	8,014	13,307	13,307	13,307	13,307
Total liabilities	12,30,372	14,24,805	15,36,584	17,00,279	18,85,295
Gross block	6,39,623	6,94,959	8,04,959	9,14,959	10,84,959
Less: acc. Depreciation	(2,12,645)	(2,50,480)	(3,05,977)	(3,69,614)	(4,43,611)
Net block	4,26,978	4,44,480	4,98,983	5,45,346	6,41,349
Capital WIP	1,27,137	1,52,626	2,07,626	2,67,626	2,67,626
Net fixed assets	5,95,741	6,95,829	8,05,332	9,11,695	10,07,698
Non Current Assets	2,12,622	2,62,787	2,65,651	2,71,850	2,77,406
Investments	24,270	30,854	30,854	30,854	30,854
Inventories	70,757	81,547	83,979	89,240	93,957
Sundry debtors	1,13,677	1,30,605	1,34,500	1,42,927	1,50,481
Cash & Cash Equivalents	3,64,589	4,39,759	4,42,429	5,00,615	5,90,393
Loans & advances	3	208	208	208	208
Other current assets	3,79,435	4,28,709	4,31,309	4,36,935	4,41,978
Trade payables	86,035	85,492	88,041	93,558	98,502
Other current liab.	4,23,726	4,51,888	4,61,525	4,82,375	5,01,065
Provisions	62,244	1,49,882	1,49,882	1,49,882	1,49,882
Net current assets	3,56,455	3,93,565	3,92,976	4,44,111	5,27,567
Total assets	12,30,372	14,24,805	15,36,584	17,00,279	18,85,295

Cashflow					
YE Mar (Rs mn)	FY22A	FY23A	FY24E	FY25E	FY26E
Profit Before Tax	2,36,163	3,80,008	3,66,932	4,01,288	4,36,599
Depreciation & Amortisation	44,287	46,753	55,497	63,637	73,997
Net Interest	0	0	0	0	0
Net Change – WC	1,67,413	26,087	28,421	61,493	55,122
Direct taxes	(55,581)	(97,497)	(92,834)	(1,01,526)	(1,10,460)
Net cash from operations	4,19,903	3,81,926	3,55,152	4,18,694	4,49,703
Capital expenditure	(1,19,961)	(1,52,068)	(1,65,000)	(1,70,000)	(1,70,000)
Acquisitions, net	0	0	0	0	0
Investments	(1,40,494)	(1,02,338)	0	0	0
Others	3,310	20,175	0	0	0
Net cash from investing	(2,57,145)	(2,34,230)	(1,65,000)	(1,70,000)	(1,70,000)
FCF	2,99,942	2,29,858	1,90,152	2,48,694	2,79,703
Issue of share capital	0	0	0	0	0
Increase/(decrease) in debt	(25,732)	8,052	0	0	0
Dividend paid	(1,07,834)	(1,43,281)	(1,84,882)	(1,84,882)	(1,84,882)
Interest paid	(847)	(1,382)	(4,115)	(4,115)	(1,297)
Others	0	0	0	0	0
Net cash from financing	(1,34,412)	(1,36,611)	(1,88,997)	(1,88,997)	(1,86,179)
Net change in Cash	28,345	11,084	1,155	59,698	93,523

Source: Company, Centrum Broking

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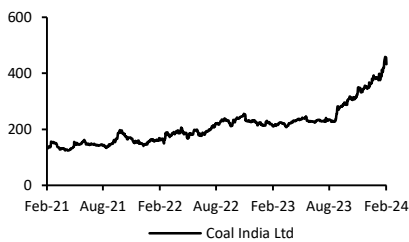
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Coal India



Source: Bloomberg

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