

# Coal India | BUY

Beats estimates; the fire is on!

Coal India (CIL) reported consolidated net revenue INR 364bn (1.3% YoY, 6% JMFe); Adj. EBITDA (ex-OBR) came in at INR 115bn (3.4% YoY, 11% JMFe); Adj PAT stood at INR 81bn (1% YoY, 4% JMFe). Deviations from estimates are primarily due to restated Q1FY24 financials leading to increase in total expenses by INR 24bn and reduction in EBITDA by INR 30bn. E-auction realizations moderated 2% QoQ to INR 2441/t during 1QFY25. Given the continued momentum in power demand (1QFY25 peak power/energy demand, 12%/9%) and focus on thermal capacity additions, we estimate CIL to report 839/915MT of production during FY25E/26E. With consistent growth in production and stabilization in international coal prices, we reiterate our BUY rating on the stock with a TP of INR 601 (earlier INR 540).

- Operational highlights:** Coal output increased by 8% YoY to 189 MT in 1QFY25. Coal supplies were up by 6% to 198.5 MT during 1QFY25 vs. 187 MT during 1QFY24. Blended realisation shrank by 6% YoY to INR 1,621/t largely on account of 35% YoY decline in e-auction realisation (INR 2,441/t). [‘King Coal’ is coming back](#)
- A/c policy change:** Existing Advance Stripping balance as at 31 Mar'22 was considered as Stripping Activity Assets under PPE, and thereafter such assets have been created to stripping activity adjustments and added to stripping activity asset forming part of PPE as at 30 Jun'24. The amount of stripping activity assets so is amortised over the remaining useful life of the respective mines and remain included under Depreciation/amortisation/impairment expenses. Amount of stripping activity provision representing the credit balance of the stripping activity created till 31 Mar'22 is being carried forward and the same is reversed and credited in systematic manner and included under Stripping Activity Adjustments and accordingly, INR 56.03bn has been so adjusted, leaving a balance of INR 603bn as on 30 Jun'24 to be adjusted over the years in systematic manner as per the policy followed.
- Power demand remains strong:** The peak/energy power demand recorded 12%/9.5% YoY growth YTD. The all-India peak demand touched 250 GW on 30<sup>th</sup> May'24 breaching the previous high of 243/215GW in FY24/FY23. Peak summer, record-breaking heat waves, and rising peak temperatures, particularly in northern India have led to increasing energy/ peak power demand which has resulted in commensurate increase in thermal power generation. Going forward, government's target to add 93GW of new thermal capacity by FY32 bodes well for continued momentum in demand for coal (CIL aims for production of 838MT of production in FY25, +8.5% YoY). Increasing total energy shortage particularly during non-solar hours (7-8 GW in Apr'24) is leading to a renewed focus on coal-fired power generation (PLF, 76%/70% in 1QFY25/1QFY24). With 27.4 GW of thermal power capacity under construction, 18.8 GW of projects under various stages of tendering, and another 33 GW under planning, we expect the demand for coal for power generation to consistently grow over the next decade.



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We acknowledge the support of **Krishnakant Phafat** in the preparation of this report

## Recommendation and Price Target

Current Reco.	BUY
Previous Reco.	BUY
Current Price Target (12M)	601
Upside/(Downside)	15.1%
Previous Price Target	540
Change	11.3%

## Key Data – COAL IN

Current Market Price	INR522
Market cap (bn)	INR3,218.2/US\$38.4
Free Float	27%
Shares in issue (mn)	6,162.7
Diluted share (mn)	6,162.7
3-mon avg daily val (mn)	INR6,665.2/US\$79.6
52-week range	527/226
Sensex/Nifty	81,741/24,951
INR/US\$	83.7

## Price Performance

%	1M	6M	12M
Absolute	10.4	28.6	127.8
Relative*	7.3	12.7	85.2

\* 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)	18.3	10.1	8.6	10.1	9.2
P/B (x)	7.5	5.3	3.9	3.1	2.5
EV/EBITDA (x)	11.5	6.3	6.1	6.0	5.2
Dividend Yield (%)	3.3	4.6	3.6	3.6	3.6

Source: Company data, JM Financial. Note: Valuations as of 31/Jul/2024

JM Financial Research is also available on:  
Bloomberg - JMFR <GO>,  
Thomson Publisher & Reuters,  
S&P Capital IQ, FactSet and Visible Alpha

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

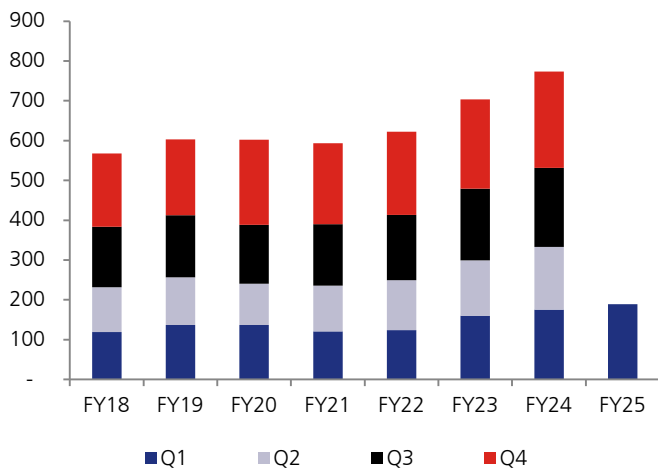
- **Moderation in coal and E-auction prices:** Global coal prices have undergone a significant correction triggered by oversupply in China (world's leading coal producer). Indonesian coal (5,900 GAR) has dropped from its peak of USD 221/t in Oct'21 to USD 88/t in Aug'23 and are now consolidating between USD 92-96/t. South African (6,000 GAR) has also dropped its peak of USD 430/t in Mar'22 to USD 91/t in Feb'24 and is currently at USD 104-107/t levels. Similarly, Australian coal prices also peaked at USD 447/t in Sep'22 and are now consolidating at USD 135-140/t. Taking cues from global markets and domestic demand, e-auction prices for Coal India remains range-bound, INR 2300-2500/t during Nov'23-Jun'24 vs. INR 3431/t in Apr'23.

#### Exhibit 1. 1QFY25 results summary

Particulars	1QFY25	1QFY24	% YoY	4QFY24	% QoQ	JMFe	% Var
MT produced	189	175	7.9%	242	-21.7%	189	
MT Sold	199	187	6.2%	202	-1.6%	197	
Net Sales	364,646	359,832	1.3%	374,104	-2.5%	345,196	6%
Sales/MT	1,837	1,925		1,855		1,752	
Accretion in Stock	4,290	6,475	-33.7%	-29,412	-114.6%	-3,804	-213%
Total Op. Exp.	221,261	224,081	-1.3%	260,728	-15.1%	245,779	-10%
EBITDA	143,385	135,751	5.6%	113,376	26.5%	99,417	44%
EBITDA (ex OBR)	115,425	111,596	3.4%	98,438	17.3%	104,417	11%
EBITDA/MT	722	726		562		505	
EBITDA (%)	39.3	37.7	160bps	30.3	902bps	28.8	1,052bps
Depreciation	19,525	15,267	27.9%	19,934	-2.1%	20,333	
EBIT	123,860	120,483	2.8%	93,442	32.6%	79,084	57%
Other Income	18,846	15,378	22.6%	22,441	-16.0%	22,000	-14%
Interest	2,088	1,779	17.4%	2,322	-10.1%	2,391	
PBT	141,472	133,852	5.7%	114,305	23.8%	98,692	
Total Tax Expense	32,037	28,868	11.0%	27,900	14.8%	24,769	
Effective Tax Rate	22.6%	21.6%	1bps	21.6%	1bps	25.9%	-3bps
Reported Profit	109,436	104,984	4.2%	86,405	26.7%	73,164	50%
Adj PAT (ex OBR)	81,475	80,829	0.8%	71,466	14.0%	78,164	4%

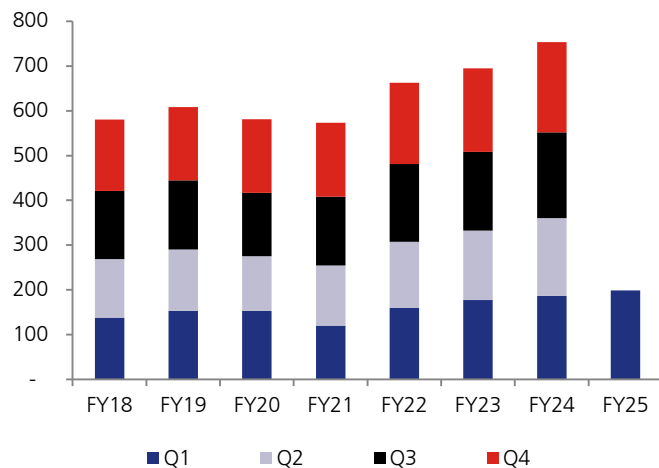
Source: Company, JM Financial

Exhibit 2. Coal production (MT)



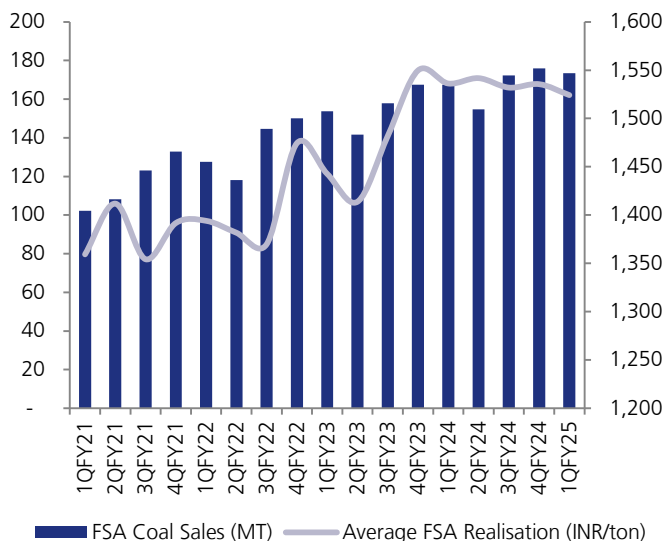
Source: Company, JM Financial

Exhibit 3. Coal dispatch (MT)



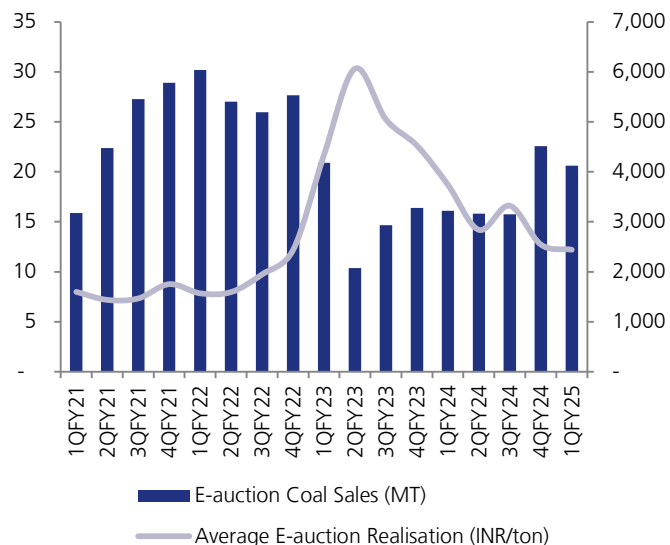
Source: Company, JM Financial

Exhibit 4. FSA sales & realisation trend



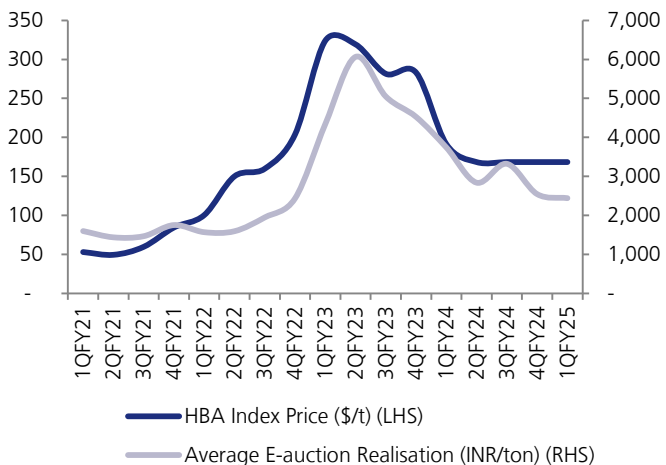
Source: Company, JM Financial

Exhibit 5. E-auction sales & realisation trend



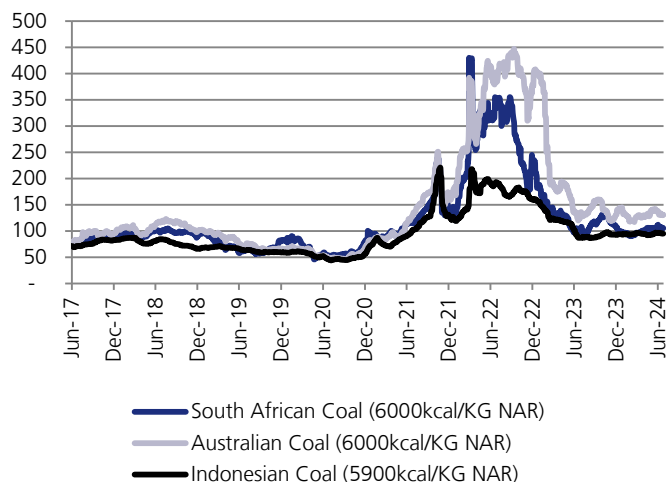
Source: Company, JM Financial

Exhibit 6. HBA index price & e-auction realisation



Source: Bloomberg, Company, JM Financial

Exhibit 7. International Coal Prices (UDS/t)



Source: Elekre, JM Financial

## Valuation

### Exhibit 8. DCF Valuation

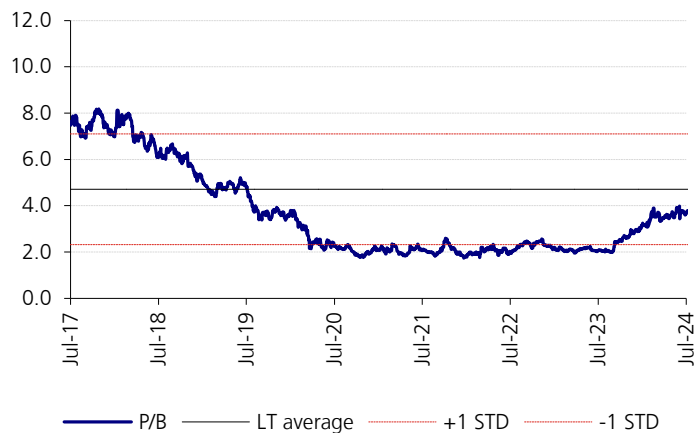
Particulars	FY23	FY24	FY25	FY26	FY27	FY28	FY29	FY30	FY40
FCFE	279,135	126,868	220,643	256,516	275,755	295,747	316,449	337,018	440,977
Disc Factor		1.00	0.90	0.81	0.73	0.66	0.59	0.53	0.19
<b>PV of FCFE</b>		<b>126,868</b>	<b>198,799</b>	<b>208,239</b>	<b>201,695</b>	<b>194,908</b>	<b>187,899</b>	<b>180,301</b>	<b>83,176</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

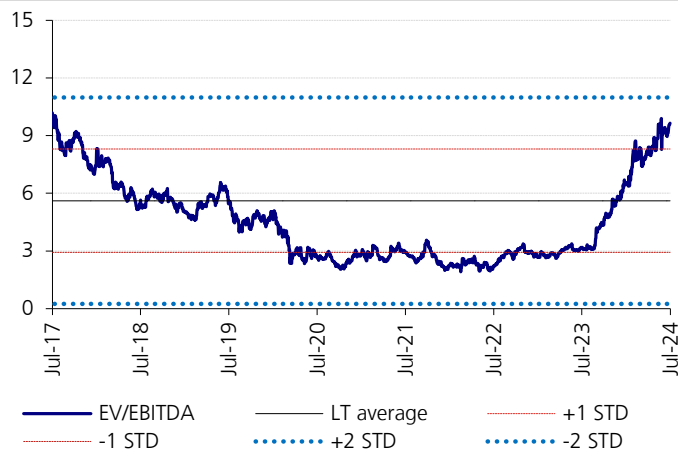
## Valuation Bands

### Exhibit 9. P/B



Source: Company, JM Financial

### Exhibit 10. EV/EBITDA



Source: Company, 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%

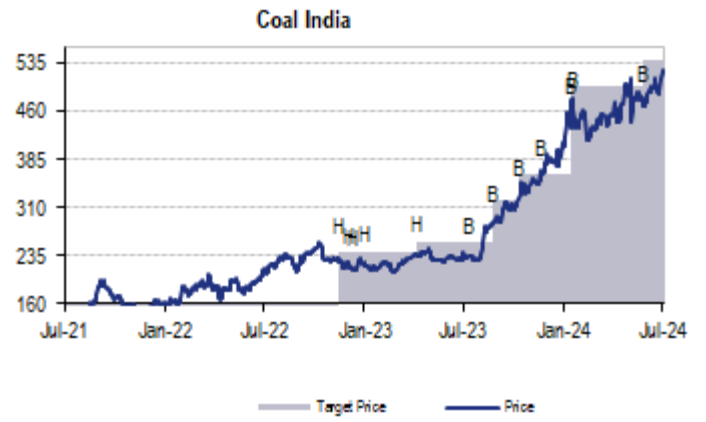
Key Ratios		FY22A	FY23A	FY24A	FY25E	FY26E
BV/Share (INR)		70.0	98.7	134.2	167.1	204.8
ROIC		102.9%	204.0%	89.3%	55.6%	58.1%
ROE		44.1%	61.0%	52.1%	34.4%	30.5%
Net Debt/Equity (x)		-0.8	-0.7	-0.4	-0.6	-0.5
P/E (x)		18.3	10.1	8.6	10.1	9.2
P/B (x)		7.5	5.3	3.9	3.1	2.5
EV/EBITDA (x)		11.5	6.3	6.1	6.0	5.2
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

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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Definition of ratings	
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.
Sell	Price expected to move downwards by more than 10% from the current market price over the next twelve months.

\* REITs refers to Real Estate Investment Trusts.

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