

BSE SENSEX
77,620

S&P CNX
23,527



Stock Info

Bloomberg	COAL IN
Equity Shares (m)	6163
M.Cap.(INRb)/(USD\$b)	2293.8 / 26.7
52-Week Range (INR)	545 / 368
1, 6, 12 Rel. Per (%)	-6/-21/-13
12M Avg Val (INR M)	5357
Free float (%)	36.9

Financials Snapshot (INR b)

Y/E MARCH	2025E	2026E	2027E
Sales	1,441	1,686	1,807
Adj. EBITDA	412	544	568
Adj. PAT	350	415	435
EBITDA Margin (%)	28.6	32.2	31.5
Cons. Adj. EPS (INR)	56.7	67.4	70.5
EPS Gr. (%)	-6.5	18.8	4.7
BV/Sh. (INR)	162	195	229

Ratios

Net D:E	-0.3	-0.3	-0.3
RoE (%)	35.1	34.6	30.8
RoCE (%)	37.0	36.5	32.3
Payout (%)	50.0	50.0	50.0

Valuations

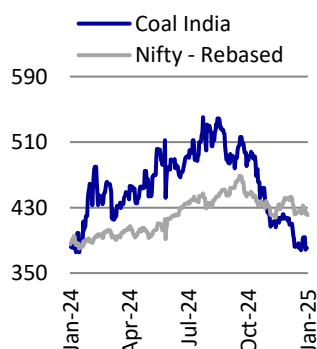
P/E (x)	6.6	5.5	5.3
P/BV (x)	2.3	1.9	1.6
EV/EBITDA(x)	5.0	3.6	3.3
Div. Yield (%)	7.6	9.0	9.5
FCF Yield (%)	4.9	11.1	10.8

Shareholding pattern (%)

As On	Sep-24	Jun-24	Sep-23
Promoter	57.8	57.8	63.6
DII	16.1	17.9	15.6
FII	14.9	14.3	9.9
Others	11.3	10.0	10.9

FII Includes depository receipts

Stock Performance (1-year)



CMP: INR372

TP: INR480 (+29%)

Buy

Robust growth outlook; valuation remains attractive

Dispatches to clock ~6% CAGR over FY24-27

- Coal India (COAL) reported production of 202mt in 3QFY25, reflecting 2% YoY growth. As a result, total production for 9MFY25 reached 543mt (+2% YoY), while dispatches stood at 556mt (flat YoY). Of the total dispatches, ~85% were supplied to the thermal power industry.
- The sluggishness in volume growth was primarily attributed to erratic monsoons in coal-producing states such as Odisha and Jharkhand, as well as disruptions caused by the general/state elections. Based on the 9MFY25 performance, we have modeled production of ~787mt (+2% YoY) for FY25E. Earlier, management had guided for production of 838mt in FY25E, driven by rising demand from the power sector (+80% share), with dispatches under e-auction accounting for ~15% of total volumes.
- During the last nine months, the company's coal dispatch share to the power sector declined from ~90% in Jun'24 to 79% in Dec'24 (vs 90% in Dec'23). Meanwhile, the share of thermal power in total power generation (ex RE) in India remained in line with its earlier level of 85%. 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 stood at 224GW in Dec'24, against its previous peak of 243GW in Sep'23. The Central Electricity Authority (CEA) has projected that the all-India peak electricity demand will reach 277MW by FY27 (revised to 458GW by FY32 vs 384GW earlier).
- According to the CEA, thermal power capacity in India increased by 5.7GW in FY24. Furthermore, the government plans to add +80GW of coal-based capacity by FY32 to meet India's base load requirement, which is expected to reach 283GW by FY32.
- 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.

COAL sets short-term production target of 1b ton

- COAL accounts for ~77% of the total coal production in India, making it a dominant player in the coal mining space. The company clocked the highest production/sales of 773.6/753.5mt in FY24, respectively.
- As India advances toward an USD5t economy, the reliance on thermal power plants is expected to increase to ensure an uninterrupted electricity supply.
- Currently, thermal power accounts for ~75% of power generation (with a 45% share in installed capacity), while the remaining share comes from lignite, hydro, nuclear, natural gas, and renewables (together making up 53% of the installed capacity).
- COAL is expanding its coal-washer capacity by setting up new washeries, which will strengthen its position in the domestic coking coal market and lead to margin accretion.

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Capex to drive product diversification and portfolio-mix

- COAL has significantly increased its capex to improve its evacuation infrastructure. Capex, which hovered at around INR 65-85b 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.
- 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 preferred source by the company for its diversification aim 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.
- The company is exploring the monetization of its four old washeries by leasing them out, along with long-term coking coal linkages to steel companies through auctions.

Higher e-auction volumes to improve overall realization and margins

- Global coal prices have significantly corrected due to oversupply and weak demand in China. South African coal (6,000 NAR) hovers between USD105-110/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.
- In FY24, COAL sold ~70mt (~9% of total volume dispatched) through e-auctions at a 99% premium over FSA prices. Going forward, COAL aims to achieve ~15% of its volumes through e-auctions. 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).

Valuations remain attractive

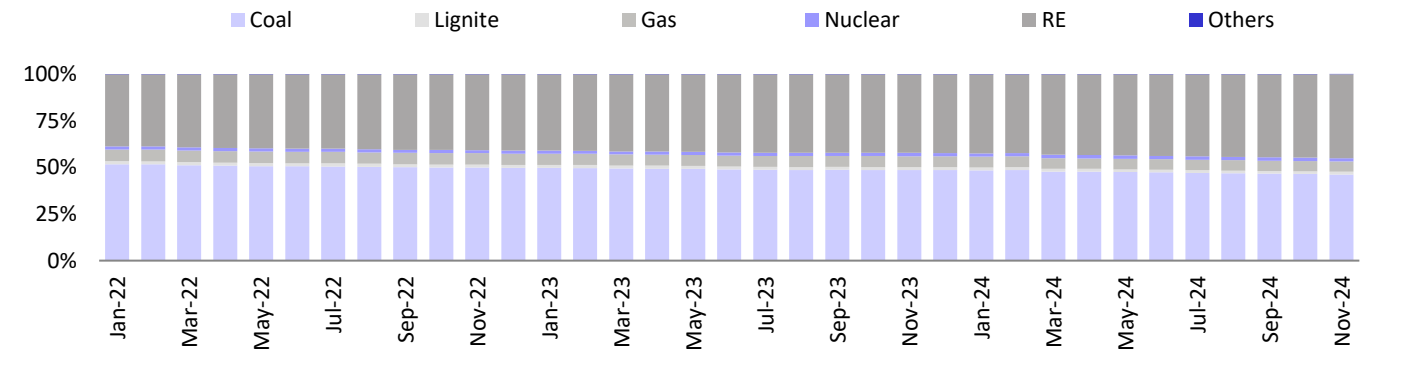
- We believe COAL's production volume will clock a 6% CAGR over FY24-27, with dispatches under e-auction expected to account for ~15% of total volumes. This growth is primarily driven by the expectation that power demand in India will move in tandem with GDP growth, benefiting the company as a dominant coal supplier.
- The prospects for COAL remain strong, driven by healthy volume expectations, favorable e-auction premiums, and declining costs. Additionally, 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 of 3.6x EV/EBITDA.
- 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 metals and mining sector.**

Exhibit 1: Key operating metrics

Key Metrics	FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
Total dispatches (mt)	580	608	581	574	662	695	754	787	879	928
FSA dispatches (Power) (mt)	424	458	426	407	495	608	640	658	715	758
e-auction dispatches (mt)	106	68	65	94	111	62	70	88	108	108
FSA realizations (INR/t)	1,257	1,348	1,416	1,379	1,407	1,475	1,536	1,521	1,594	1,631
e-auction realizations (INR/t)	1,839	2,632	2,177	1,569	1,879	4,841	3,057	2,464	2,599	2,658
Adj. EBITDA (INR b)	203	300	275	200	285	406	418	412	544	568
Adj. EBITDA/t	350	494	473	349	430	584	555	524	618	613

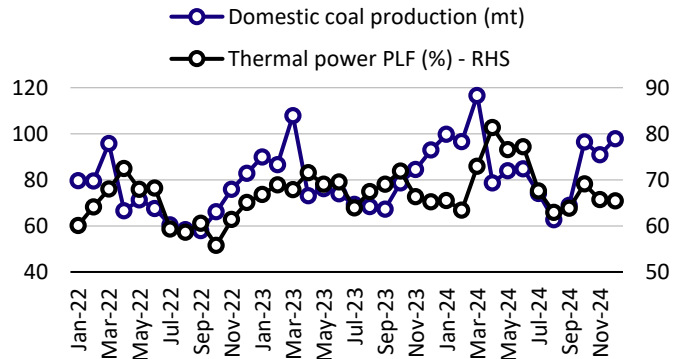
Source: MOFSL, Company

Exhibit 2: Thermal power accounts for ~75% of power generation (with a 45% share in installed capacity)



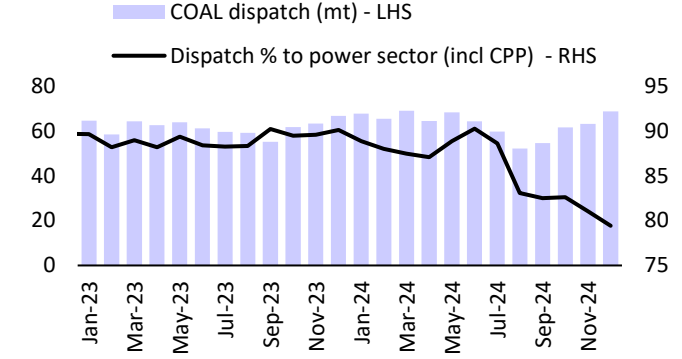
Source: MOFSL, Company, Central Electricity Authority

Exhibit 3: COAL production (mt) and thermal power generation move in co-relation



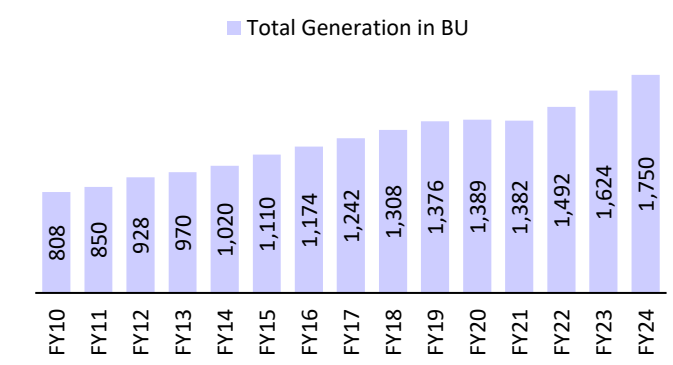
Source: MOFSL, Company, Central Electricity Authority

Exhibit 4: Total dispatches to the power sector are currently +80% (FY24 average was ~90%)



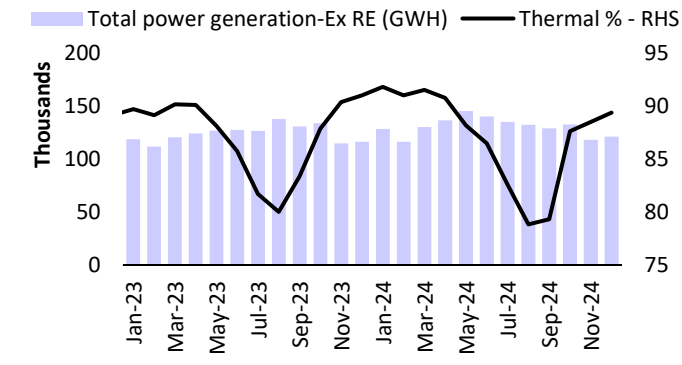
Source: MOFSL, Ministry of Power

Exhibit 5: Power generation grew ~8% in FY24...



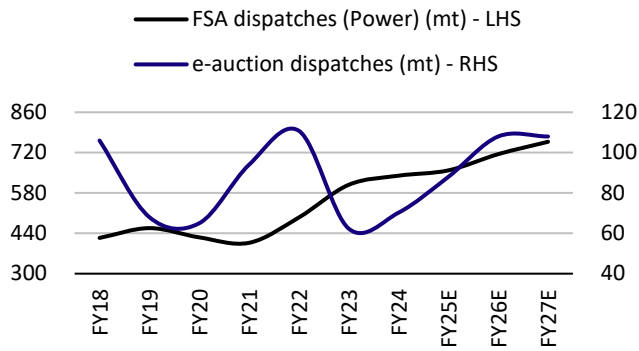
Source: MOFSL, Central Electricity Authority, Ministry of Power

Exhibit 6: ...thermal power share stood at 90% to total power generation – ex RE



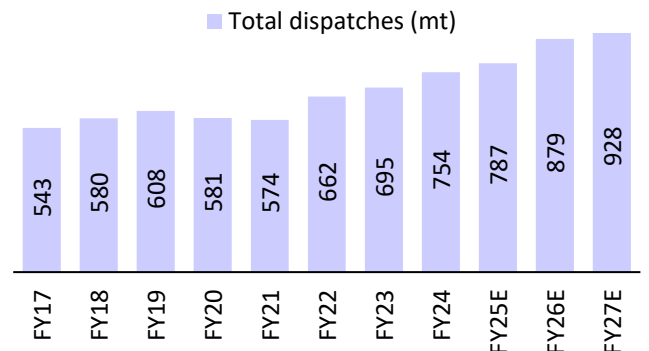
Source: MOFSL, Central Electricity Authority, Ministry of Power

Exhibit 7: Dispatches (mt), e-auction, and FSA



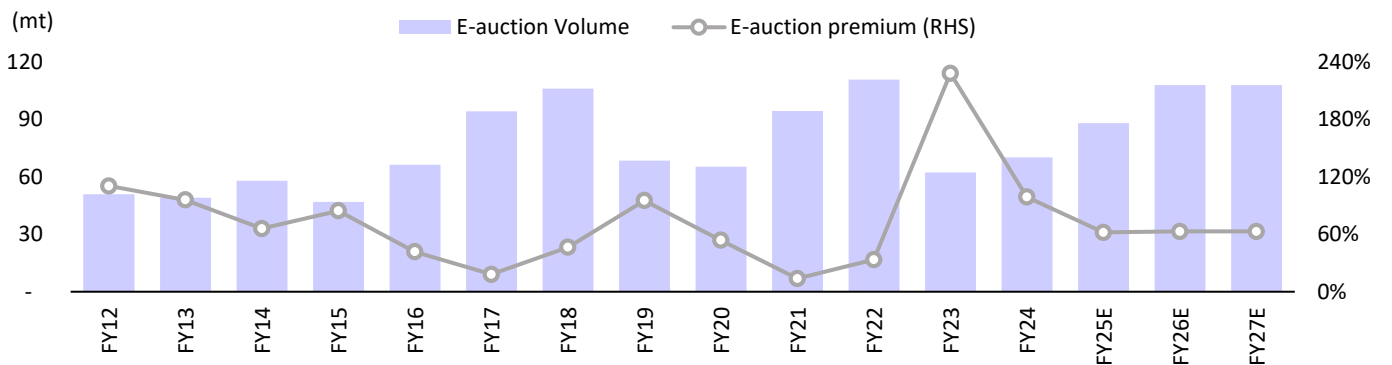
Source: MOFSL, Company

Exhibit 8: Total dispatches (mt) to clock a 6% CAGR



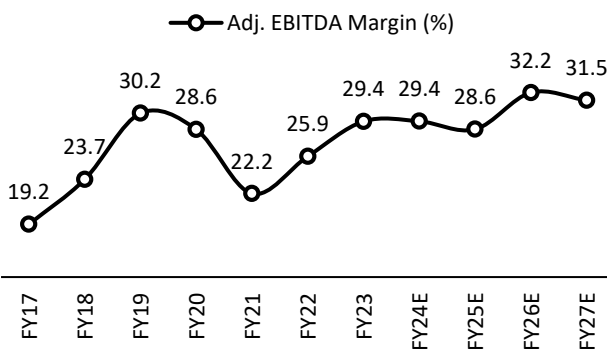
Source: MOFSL, Company

Exhibit 9: E-auction premium expected to remain between ~60 and 65% over increasing e-auction volume share



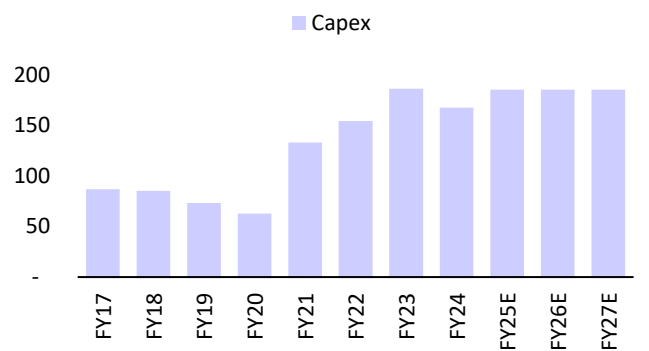
Source: MOFSL, Company

Exhibit 10: Adj. margin expected to expand over the rising share of non-FSA volumes



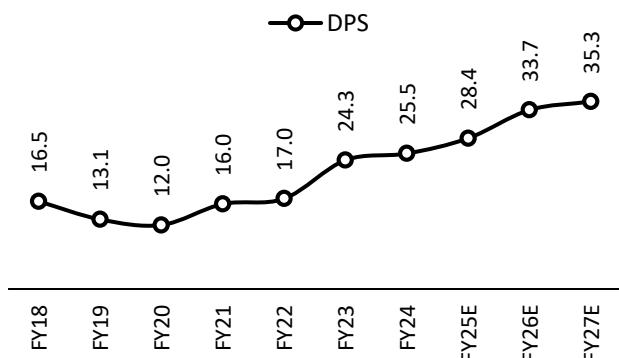
Source: MOFSL, Company

Exhibit 11: Strong focus on capex (INR b) will lead to higher production capacity in the near future



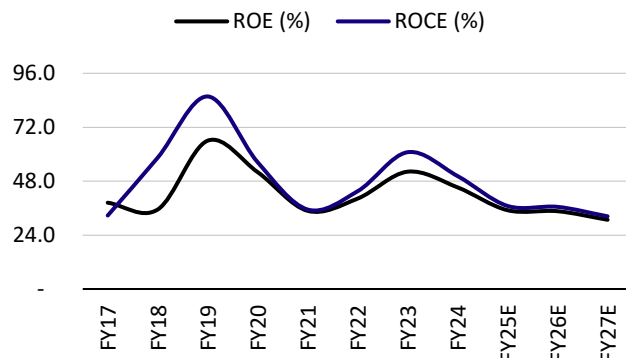
Source: MOFSL, Company

Exhibit 12: Healthy dividend payout



Source: MOFSL, Company

Exhibit 13: ROE vs ROCE (%)



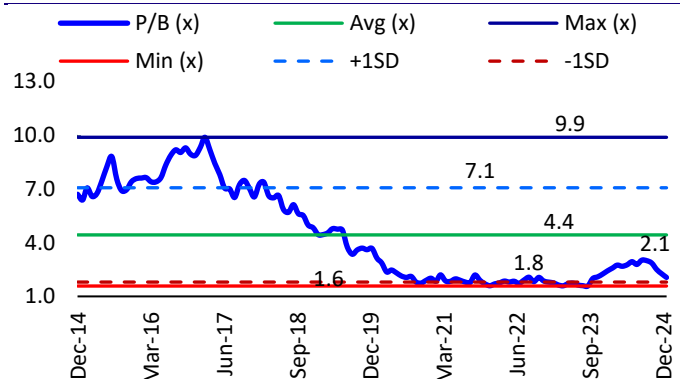
Source: MOFSL, Company

Exhibit 14: TP calculation

Target Price calculations	UoM	FY27E
Adjusted EBITDA	INR b	568
Target EV/EBITDA (x)	x	4.5
Target EV	INR b	2,558
Net debt	INR b	(431)
Equity value	INR b	2,989
TP		480

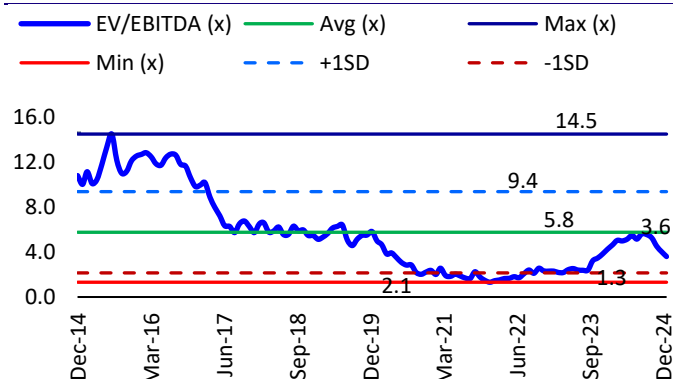
Source: MOFSL

Exhibit 15: COAL's P/B multiple remains cheap



Source: MOFSL, Company

Exhibit 16: 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	1,441	1,686	1,807
Change (%)	-3.5	-6.3	21.9	26.0	2.9	1.3	17.0	7.1
Operating Expenses	742	715	850	940	944	957	1,094	1,175
EBITDA	219	186	247	442	480	484	593	632
Adjusted EBITDA	275	200	285	406	418	412	544	568
adj. EBITDA/ton	473	349	430	584	555	524	618	613
Depreciation	35	37	44	68	67	81	96	112
Interest	5	6	5	7	8	10	11	11
Other Income	61	38	39	66	80	62	62	65
Extra Ordinary exp (inc)	0	0	0	0	0	0	0	0
PBT after EO	241	180	236	433	484	455	548	574
Tax	74	53	62	116	114	110	138	145
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	345	410	429
Minority Interest	0	0	0	0	0	0	0	0
RPAT (after MI / Sh. of Asso.)	167	127	174	318	374	350	415	435
Change (%)	-4.3	-24.0	36.7	83.0	17.8	-6.5	18.8	4.7
Adjusted PAT	167	127	174	318	374	350	415	435
Change (%)	-4.3	-24.0	36.7	83.0	17.8	-6.5	18.8	4.7

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	936	1,138	1,350
Net Worth	322	365	431	608	827	998	1,200	1,411
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	1,042	1,246	1,459
Gross Fixed Assets	474	565	792	896	1,074	1,240	1,425	1,610
Less: Depreciation	150	187	232	300	367	448	544	657
Net Fixed Assets	323	378	561	596	706	792	881	953
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	1,374	1,648	1,818
Inventory	66	89	71	82	102	107	125	134
Debtors	144	196	114	131	133	142	166	178
Other Current Assets	490	524	589	688	787	797	932	999
Loans and Advances	11	6	4	4	4	4	4	4
Cash (incl. bank balance)	295	209	365	440	335	324	421	503
Current Liabilities	1,110	1,189	1,464	1,567	1,478	1,426	1,590	1,624
Payables	101	76	86	85	84	85	99	106
Other current liabilities	1,009	1,113	1,378	1,482	1,394	1,341	1,491	1,518
Net Curr. Assets	-104	-164	-322	-223	-118	-52	58	194
Application of Funds	357	388	430	629	867	1,042	1,246	1,459

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	56.7	67.4	70.5
Cash EPS	32.7	26.6	35.4	62.6	71.6	69.9	83.0	88.8
Book Value	52.2	59.3	70.0	98.7	134.2	161.9	194.7	229.0
DPS	12.0	16.0	17.0	24.3	25.5	28.4	33.7	35.3
Payout (incl. Div. Tax.)	44.4	77.6	60.4	47.1	42.0	50.0	50.0	50.0
Valuation (x)								
P/E	13.8	18.1	13.2	7.2	6.1	6.6	5.5	5.3
Cash P/E	11.4	14.0	10.5	6.0	5.2	5.3	4.5	4.2
P/BV	7.1	6.3	5.3	3.8	2.8	2.3	1.9	1.6
EV/Adj. EBITDA	7.5	10.7	6.9	4.7	4.8	5.0	3.6	3.3
Dividend Yield (%)	3.2	4.3	4.6	6.5	6.8	7.6	9.0	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	1.4	1.2
Profitability Ratios (%)								
Adj. EBITDA Margin	28.6	22.2	25.9	29.4	29.4	28.6	32.2	31.5
APAT Margin	17.4	14.1	15.8	23.0	26.3	24.3	24.6	24.1
RoE	52.0	34.8	40.2	52.2	45.2	35.1	34.6	30.8
RoCE (post tax)	56.4	35.4	43.5	60.9	50.2	37.0	36.5	32.3
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	412	544	568
(Inc)/Dec in WC	-123	-56	175	27	-162	-77	-14	-54
Taxes paid	-119	-57	-63	-97	-117	-110	-138	-145
Others	10	19	15	22	42	72	49	64
CF from Operations	41	106	411	357	181	297	441	434
Capex	-56	-109	-120	-152	-167	-185	-185	-185
Free Cash Flow	-15	-3	291	205	14	112	256	249
(Pur)/Sale of Investments	-5	-8	-8	-7	-3	-5	-5	-5
Interest/dividend	35	22	11	27	29	62	62	65
Other investing activity	29	96	-140	-103	97	0	0	0
CF from Investments	3	2	-257	-235	-45	-128	-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	-175	-208	-217
Other financing	5	0	0	0	0	0	0	0
CF from Fin. Activity	-70	-85	-134	-137	-139	-180	-216	-227
Inc/Dec of Cash	-25	23	20	-14	-3	-11	96	82
Add: Beginning Cash Balance	53	28	51	71	56	53	43	139
Closing cash Balance	28	51	71	56	53	43	139	221
Bank Balance	267	158	294	383	281	281	281	281
Closing Balance (incl. bank bal.)	295	209	365	440	335	324	421	503

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

NOTES

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 within following 30 days take appropriate measures to make the recommendation consistent with the investment rating legend.

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