

## Coal India | BUY



## Sustained production; Stable prices; Strengthening story

Sustained growth in production (83.91MT in May'24 vs. 76MT in May'23, +10% YoY) in response to surging energy/ peak power demand (12.5% YoY/13% YoY during 2MFY25) and commensurate increase in thermal power generation (+11.4% YoY Apr-May'24) is likely to enable Coal India (CIL) to achieve its production target of 838MT in FY25, +8.5% YoY. Taking cues from global markets and domestic demand, e-auction prices remains range-bound, INR 2300-2600/t during Nov'23-Apr'24 vs. INR 3431/t in Apr'23. Given the continued momentum in production, stable e-auction prices, new initiatives (3GW Solar/ 2260MW thermal power capacity addition, venturing into coal-to-chemicals business) and improving long-term visibility ('King Coal' is coming back), we maintain our BUY rating on the stock with a revised TP of INR 540.

- Volume growth is sustained:** Coal production continues to see growth reaching 84MT in May'24 vs. 76MT in May'23 (+10% YoY). Coal dispatches in May'24, reached 90.84MT vs. 82.32MT in May'23 (+10.35% YoY). Extended summers, record-breaking heat waves, and soaring peak temperatures, particularly in northern India have led to increasing energy/ peak power demand (12.5% YoY/13% YoY during 2MFY25) which has resulted in commensurate increase in thermal power generation (+11.4% YoY Apr-May'24). 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).
- E-auction prices are stable post moderation:** A global coal price correction is underway, triggered by an oversupply in China, the world's largest coal producer. Indonesian coal (5,900 GAR) prices plummeted from USD 221/t in Oct'21 to USD 88/t in Aug'23 and are now consolidating between USD 92-96/t. South Africa (6,000 GAR) followed, with prices dropping from USD 430/t in Mar'22 to USD 91/t in Feb'24, currently consolidating at USD104-107/t. Similarly, Australian prices fell from USD 447/t in Sept'22 to USD120/t in Feb'24, and are now consolidating in a USD135-140/t range. Taking cues from global markets and domestic demand, e-auction prices for Coal India remains range-bound, INR 2300-2600/t during Nov'23-Apr'24 vs. INR 3431/t in Apr'23.
- New initiatives are progressing:** Company is working to set up 3GW Solar power capacity by FY26. The initial work for 1x660 MW at Amarkantak and 2x800 MW Sundargarh thermal power plants has started post approval. A JV, Bharat Coal Gasification and Chemicals Ltd (BCGCL) along with BHEL, is formed for coal-to-chemicals business.
- India to contain coal imports:** Government plans to reduce coal imports (269MT in FY24, +11% YoY) and increase domestic production through faster operationalization of more mines (positive for Coal India) and increasing participation of private sector (downside risk to CIL). Ministry of Coal so far, has allocated/ auctioned 161 coal mines with peak rated capacity of 575 MT. Out of which 54 are into operation producing 147 MT in FY24.

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We acknowledge the support of **Parth Thakkar** in the preparation of this report

## Recommendation and Price Target

Current Reco.	BUY
Previous Reco.	BUY
Current Price Target (12M)	540
Upside/(Downside)	15.0%
Previous Price Target	500
Change	7.9%

## Key Data – COAL IN

Current Market Price	INR469
Market cap (bn)	INR2,891.9/US\$34.7
Free Float	27%
Shares in issue (mn)	6,162.7
Diluted share (mn)	6,162.7
3-mon avg daily val (mn)	INR6,256.8/US\$75.0
52-week range	527/223
Sensex/Nifty	78,054/23,721
INR/US\$	83.4

## Price Performance

%	1M	6M	12M
Absolute	-6.3	29.2	107.7
Relative*	-9.5	18.1	67.6

\* To the BSE Sensex

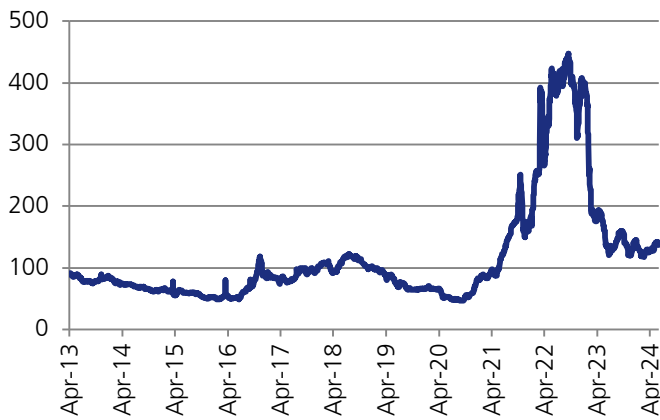
Financial Summary	(INR mn)				
Y/E March	FY22A	FY23A	FY24A	FY25E	FY26E
Net Sales	1,097,135	1,382,519	1,423,240	1,406,419	1,604,936
Sales Growth (%)	21.9	26.0	2.9	-1.2	14.1
EBITDA	248,748	442,402	479,715	379,002	486,327
EBITDA Margin (%)	22.7	32.0	33.7	26.9	30.3
Adjusted Net Profit	175,628	317,230	373,691	246,104	320,273
Diluted EPS (INR)	28.5	51.5	60.6	39.9	52.0
Diluted EPS Growth (%)	28.0	80.6	17.8	-34.1	30.1
ROIC (%)	102.9	204.0	89.3	46.2	58.0
ROE (%)	44.1	61.0	52.1	27.6	30.3
P/E (x)	16.5	9.1	7.7	11.7	9.0
P/B (x)	6.7	4.8	3.5	3.0	2.5
EV/EBITDA (x)	10.2	5.6	5.4	6.3	4.8
Dividend Yield (%)	3.6	5.2	4.1	4.1	4.1

Source: Company data, JM Financial. Note: Valuations as of 25/Jun/2024

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Bloomberg - JMFR <GO>,  
Thomson Publisher & Reuters,  
S&P Capital IQ, FactSet and Visible Alpha

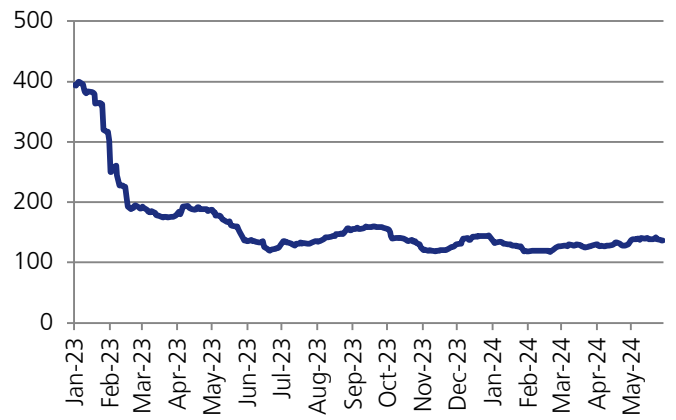
Please see Appendix I at the end of this report for Important Disclosures and Disclaimers and Research Analyst Certification.

**Exhibit 1. Australian Coal (6000kCal/Kg NAR), USD/t**



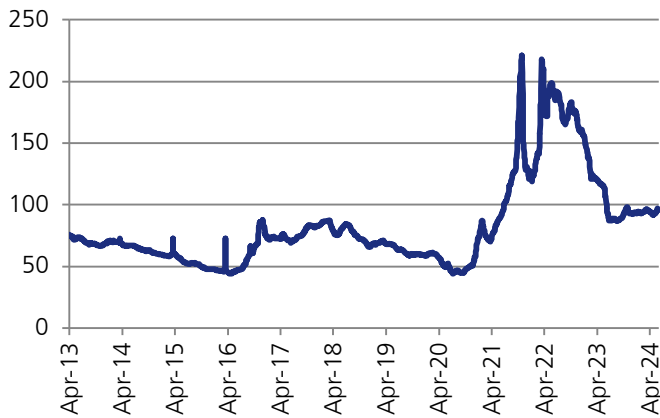
Source: Elekore, JM Financial

**Exhibit 2. Australian Coal (6000kCal/Kg NAR), USD/t since Jan'23**



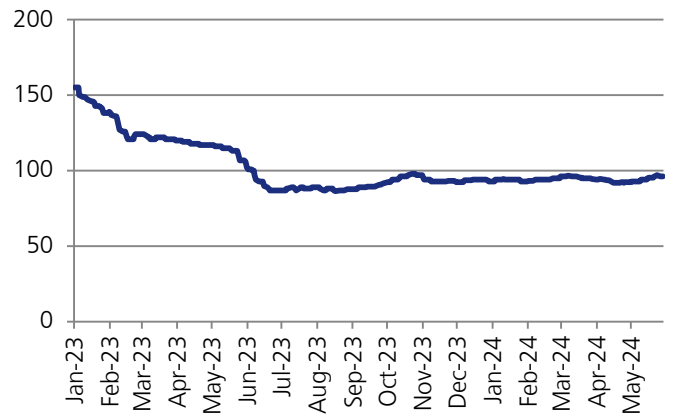
Source: Elekore, JM Financial

**Exhibit 3. Indonesian Coal (5900kCal/Kg NAR), USD/t**



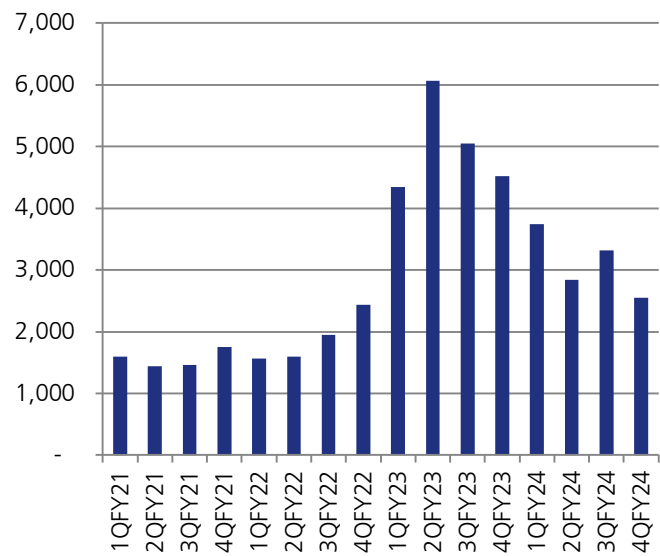
Source: Elekore, JM Financial

**Exhibit 4. Indonesian Coal (5900kCal/Kg NAR), USD/t since Jan'23**



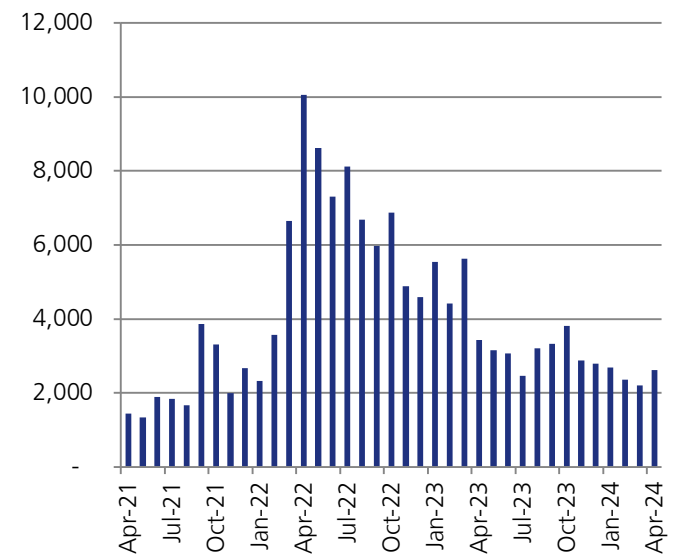
Source: Elekore, JM Financial

**Exhibit 5. Coal India, E-Auction prices, quarterly, INR/t**



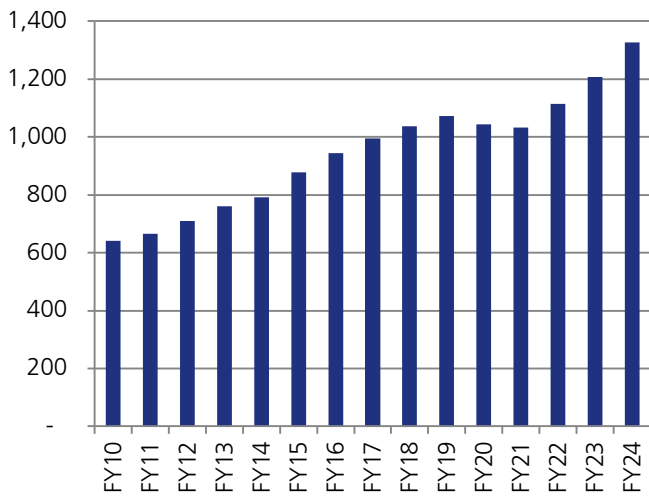
Source: Company, JM Financial

**Exhibit 6. Coal India, avg E-auction prices, monthly, INR/t**



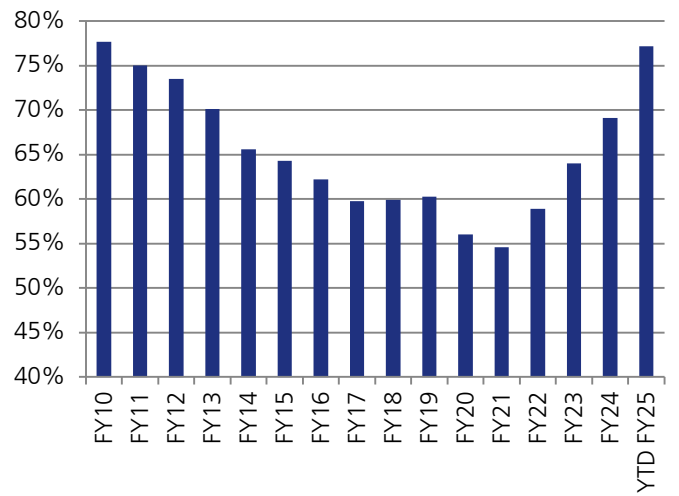
Source: Industry, JM Financial

**Exhibit 7. Thermal power generation, BU**



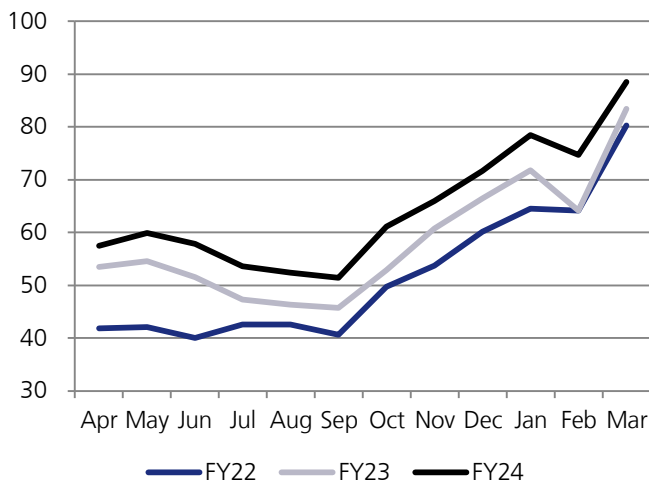
Source: CMIE, JM Financial

**Exhibit 8. Thermal power plant, PLF %**



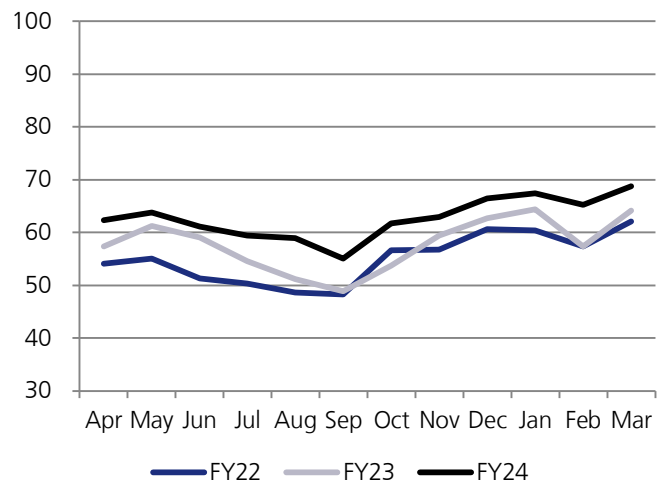
Source: CMIE, JM Financial

**Exhibit 9. Coal India production, monthly, MT**



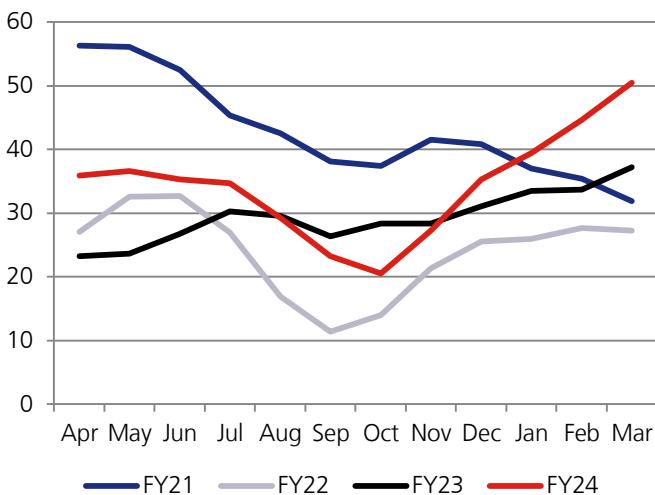
Source: Company, JM Financial

**Exhibit 10. Coal India dispatch, monthly, MT**



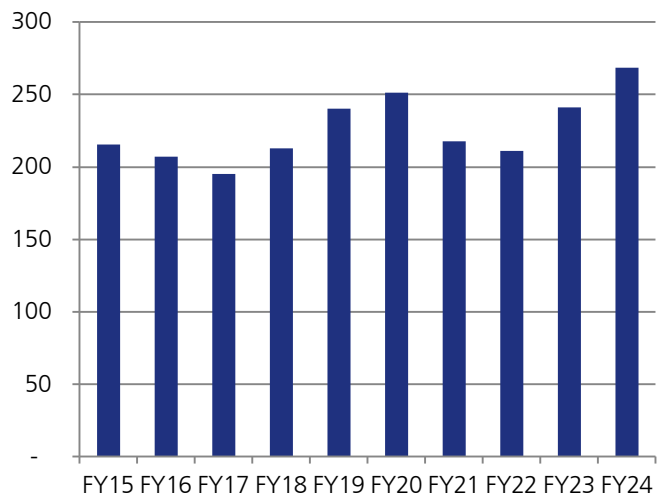
Source: Company, JM Financial

**Exhibit 11. Coal stock at power plants (MT), monthly**



Source: Elekre, JM Financial

**Exhibit 12. India Coal Imports (MT), yearly**



Source: CMIE, JM Financial

## Valuation

## Exhibit 13. DCF Valuation

Particulars	FY24	FY25	FY26	FY27	FY28	FY29	FY30	FY31	FY40
FCFE	126,868	155,028	219,989	236,488	253,634	271,388	289,028	306,370	378,183
Disc Factor		0.90	0.82	0.74	0.67	0.60	0.54	0.49	0.20
<b>PV of FCFE</b>		<b>140,107</b>	<b>179,679</b>	<b>174,564</b>	<b>169,200</b>	<b>163,619</b>	<b>157,482</b>	<b>150,864</b>	<b>74,900</b>

Particulars	INR mn	Assumptions	
PV of Cash Flows (FY23-40)	2,139,955	Terminal Growth Rate %	2%
PV of Terminal Cash Flow	883,210	WACC %	10.7%
Net Cash	302,352		
<b>Total Value of Equity</b>	<b>3,325,516</b>		
No of Shares	6,163		
<b>Value per Share</b>	<b>540</b>		

Source: Company, JM Financial

## Valuation Bands

## Exhibit 14. P/B



Source: Company, Bloomberg, JM Financial

## Exhibit 15. EV/EBITDA



Source: Company, Bloomberg, JM Financial

## Financial Tables (Consolidated)

Income Statement		(INR mn)				
Y/E March	FY22A	FY23A	FY24A	FY25E	FY26E	
Net Sales	1,097,135	1,382,519	1,423,240	1,406,419	1,604,936	
Sales Growth	21.9%	26.0%	2.9%	-1.2%	14.1%	
Other Operating Income	0	0	0	0	0	
<b>Total Revenue</b>	<b>1,097,135</b>	<b>1,382,519</b>	<b>1,423,240</b>	<b>1,406,419</b>	<b>1,604,936</b>	
Cost of Goods Sold/Op. Exp	371,204	330,246	315,182	462,427	528,706	
Personnel Cost	407,008	494,102	487,826	473,383	476,324	
Other Expenses	70,174	115,770	140,517	91,607	113,580	
<b>EBITDA</b>	<b>248,748</b>	<b>442,402</b>	<b>479,715</b>	<b>379,002</b>	<b>486,327</b>	
EBITDA Margin	22.7%	32.0%	33.7%	26.9%	30.3%	
EBITDA Growth	26.6%	77.9%	8.4%	-21.0%	28.3%	
Depn. & Amort.	44,287	68,329	67,354	70,023	72,229	
EBIT	204,462	374,072	412,361	308,979	414,097	
Other Income	39,045	65,598	79,691	35,000	35,000	
Finance Cost	5,415	6,843	8,194	7,930	10,083	
PBT before Excep. & Forex	238,092	432,827	483,858	336,050	439,014	
Excep. & Forex Inc./Loss(-)	0	0	0	0	0	
PBT	238,092	432,827	483,858	336,050	439,014	
Taxes	62,379	115,516	114,435	89,946	118,741	
Extraordinary Inc./Loss(-)	-1,843	0	0	0	0	
Assoc. Profit/Min. Int.(-)	-86	-81	4,268	0	0	
Reported Net Profit	173,784	317,230	373,691	246,104	320,273	
<b>Adjusted Net Profit</b>	<b>175,628</b>	<b>317,230</b>	<b>373,691</b>	<b>246,104</b>	<b>320,273</b>	
Net Margin	16.0%	22.9%	26.3%	17.5%	20.0%	
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>39.9</b>	<b>52.0</b>	
Diluted EPS Growth	28.0%	80.6%	17.8%	-34.1%	30.1%	
Total Dividend + Tax	104,766	149,446	117,092	117,092	117,092	
Dividend Per Share (INR)	17.0	24.3	19.0	19.0	19.0	

Source: Company, JM Financial

Cash Flow Statement		(INR mn)				
Y/E March	FY22A	FY23A	FY24A	FY25E	FY26E	
Profit before Tax	238,092	432,746	488,126	336,050	439,014	
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 WCcap.	174,479	26,522	-161,835	7,519	-20,178	
Others	-1,929	-47,694	-64,724	-35,000	-35,000	
Taxes Paid	-62,840	-97,497	-117,267	-89,946	-118,741	
<b>Operating Cash Flow</b>	<b>410,875</b>	<b>357,342</b>	<b>181,030</b>	<b>296,575</b>	<b>347,407</b>	
Capex	-275,984	-141,072	-163,085	-165,000	-165,000	
Free Cash Flow	134,891	216,270	17,945	131,575	182,407	
Inc (-) / Dec in Investments	0	0	0	0	0	
Others	11,174	-93,583	118,227	229,264	26,950	
<b>Investing Cash Flow</b>	<b>-264,810</b>	<b>-234,655</b>	<b>-44,858</b>	<b>64,264</b>	<b>-138,050</b>	
Inc / Dec (-) in Capital	0	0	0	0	0	
Dividend + Tax thereon	-107,834	-143,281	-150,979	-117,092	-117,092	
Inc / Dec (-) in Loans	-25,732	8,045	15,011	-3,617	12,665	
Others	153,303	-1,808	-3,025	192,070	-10,083	
<b>Financing Cash Flow</b>	<b>19,738</b>	<b>-137,044</b>	<b>-138,993</b>	<b>71,362</b>	<b>-114,510</b>	
<b>Inc / Dec (-) in Cash</b>	<b>165,802</b>	<b>-14,356</b>	<b>-2,820</b>	<b>432,201</b>	<b>94,847</b>	
Opening Cash Balance	125,992	70,633	56,277	53,457	485,657	
Closing Cash Balance	291,794	56,277	53,457	485,657	580,504	

Source: Company, JM Financial

Balance Sheet		(INR mn)				
Y/E March	FY22A	FY23A	FY24A	FY25E	FY26E	
Shareholders' Fund	431,430	608,429	827,298	956,310	1,159,491	
Share Capital	61,627	61,627	61,627	61,627	61,627	
Reserves & Surplus	369,803	546,802	765,671	894,683	1,097,864	
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>437,915</b>	<b>645,493</b>	<b>878,088</b>	<b>1,003,484</b>	<b>1,219,330</b>	
Net Fixed Assets	595,741	821,694	946,285	893,910	994,731	
Gross Fixed Assets	639,623	570,345	679,004	1,026,719	1,199,540	
Intangible Assets	2,890	49,475	69,399	69,399	69,399	
Less: Depn. & Amort.	212,645	0	0	400,090	472,090	
Capital WIP	165,873	201,875	197,882	197,882	197,882	
Investments	97,064	71,394	71,104	71,104	71,104	
Current Assets	1,068,248	1,303,073	1,327,209	1,527,029	1,657,283	
Inventories	70,757	81,547	101,772	100,569	114,765	
Sundry Debtors	113,677	130,605	132,558	150,275	171,486	
Cash & Bank Balances	291,795	399,217	302,352	485,657	580,504	
Loans & Advances	3,536	3,930	3,803	3,803	3,803	
Other Current Assets	588,484	687,775	786,725	786,725	786,725	
Current Liab. & Prov.	1,323,137	1,550,668	1,466,510	1,488,560	1,503,789	
Current Liabilities	176,110	187,701	202,026	226,060	241,288	
Provisions & Others	1,147,027	1,362,967	1,264,484	1,262,500	1,262,500	
Net Current Assets	-254,889	-247,595	-139,301	38,469	153,495	
<b>Total - Assets</b>	<b>437,915</b>	<b>645,493</b>	<b>878,088</b>	<b>1,003,484</b>	<b>1,219,330</b>	

Source: Company, JM Financial

Dupont Analysis						
Y/E March	FY22A	FY23A	FY24A	FY25E	FY26E	
Net Margin	16.0%	22.9%	26.3%	17.5%	20.0%	
Asset Turnover (x)	0.6	0.7	0.6	0.6	0.6	
Leverage Factor (x)	4.3	3.9	3.2	2.7	2.5	
RoE	44.1%	61.0%	52.1%	27.6%	30.3%	

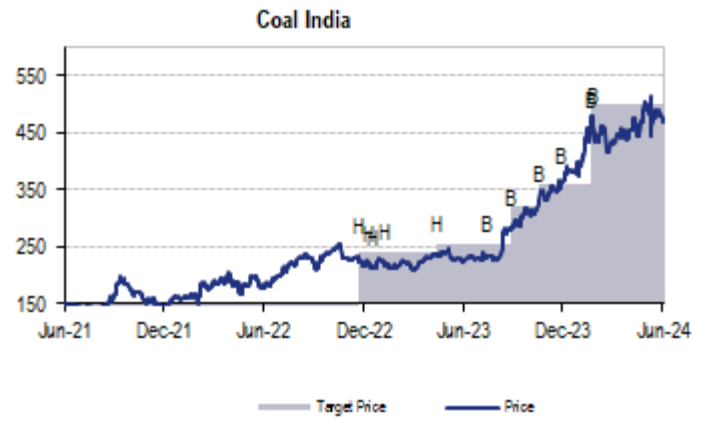
Key Ratios						
Y/E March	FY22A	FY23A	FY24A	FY25E	FY26E	
BV/Share (INR)	70.0	98.7	134.2	155.2	188.1	
ROIC	102.9%	204.0%	89.3%	46.2%	58.0%	
ROE	44.1%	61.0%	52.1%	27.6%	30.3%	
Net Debt/Equity (x)	-0.8	-0.7	-0.4	-0.5	-0.5	
P/E (x)	16.5	9.1	7.7	11.7	9.0	
P/B (x)	6.7	4.8	3.5	3.0	2.5	
EV/EBITDA (x)	10.2	5.6	5.4	6.3	4.8	
EV/Sales (x)	2.3	1.8	1.8	1.7	1.4	
Debtor days	38	34	34	39	39	
Inventory days	24	22	26	26	26	
Creditor days	37	33	32	38	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

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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