

02 July 2024

India | Equity Research | Company Update

Coal India

Power/Mining

Stable operating performance; NRS supplies in focus

Coal India (CIL) posted stable Jun'24 performance figures. Key points: 1) Production was up 8.8% YoY while despatches rose by a mere 5.1% YoY. 2) In Q1FY25, despatches to the power sector grew 4% YoY while offtake by the non-regulated sector (NRS) jumped a sharp 16% YoY. 3) Rake availability during Q1FY25 improved 10.3% YoY at 367.2/day. 4) Pit-head inventory at end-Jun'24 was at 81.5mt (up 40% YoY). In our view, despatch to power plants was lower than expected owing to high stocks (45mt); however, the elevated supply to NRS is likely to aid margins. We retain our **ADD** rating on CIL at an unchanged TP of INR 495 based on 7.5x FY26E EPS.

Production growth across subsidiaries

CIL reported healthy production growth in Jun'24 and Q1FY25. Key points: 1) All its subsidiaries posted production growth with five of them surpassing their respective targets for Q1FY25. 2) Sales volume in Q1FY25 rose 5.1% YoY to 64.1mt aided by larger subsidiaries – SECL and MCL. 3) Despatches to NRS was 19% of overall sales, up 100bps YoY. 4) During Jun'24, despatch to NRS rose 23% YoY; for Q1FY25, it was up 16% YoY. 5) Rake availability improved 10.3% YoY to 367.2/day; for the power sector, it improved by 6% YoY at 325.7/day. 6) Pit-head inventory, at end-Jun'24, was at a healthy level of 81.5mt (up 40% YoY), but lower than end-Mar'24's level of 88.1mt. Going ahead, we expect the offtake to NRS to remain robust as power plants have sufficient stock and CIL has coal to offer. This is likely to result in higher blended realisation than our estimates.

NRS price and volume – ahead of our estimates, thus far

In Q1FY25, CIL supplied 33mt to NRS versus our estimate of 21mt. Further, our channel checks indicate that average selling prices in Apr'24 and May'24 were at INR 2,611/t and INR 2,574/t, respectively – ahead of our INR 2,196/t estimate for Q1FY25. While we expect the e-auction price in Jun'24 to have fallen further, in view of higher despatches, average realisation is still expected to be ahead of our Q1FY25 estimate. We expect volume offered for e-auction to rise further, particularly from MCL/SECL as they have sufficient stock.

Financial Summary

Y/E March (INR mn)	FY23A	FY24A	FY25E	FY26E
Net Revenue	13,82,519	14,23,240	14,62,350	15,61,644
EBITDA	4,42,402	4,79,715	4,89,095	5,65,352
EBITDA Margin (%)	32.0	33.7	33.4	36.2
Net Profit	3,17,632	3,74,023	3,72,783	4,19,925
EPS (INR)	51.5	60.7	60.5	68.1
EPS % Chg YoY	82.5	16.4	0.9	12.6
P/E (x)	9.2	7.9	7.8	7.0
EV/EBITDA (x)	5.6	5.5	5.3	4.5
RoCE (%)	52.8	46.5	36.0	33.4
RoE (%)	66.9	59.4	45.2	40.4

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Market Data

Market Cap (INR)	2,926bn
Market Cap (USD)	35,065mn
Bloomberg Code	COAL IN
Reuters Code	COAL.BO
52-week Range (INR)	527 /226
Free Float (%)	37.0
ADTV-3M (mn) (USD)	73.9

Price Performance (%)	3m	6m	12m
Absolute	7.4	24.4	105.5
Relative to Sensex	0.0	14.4	82.7

Previous Reports

03-05-2024: [Q4FY24 results review](#)

02-04-2024: [Company Update](#)

Outlook: Higher supplies to NRS, a key positive

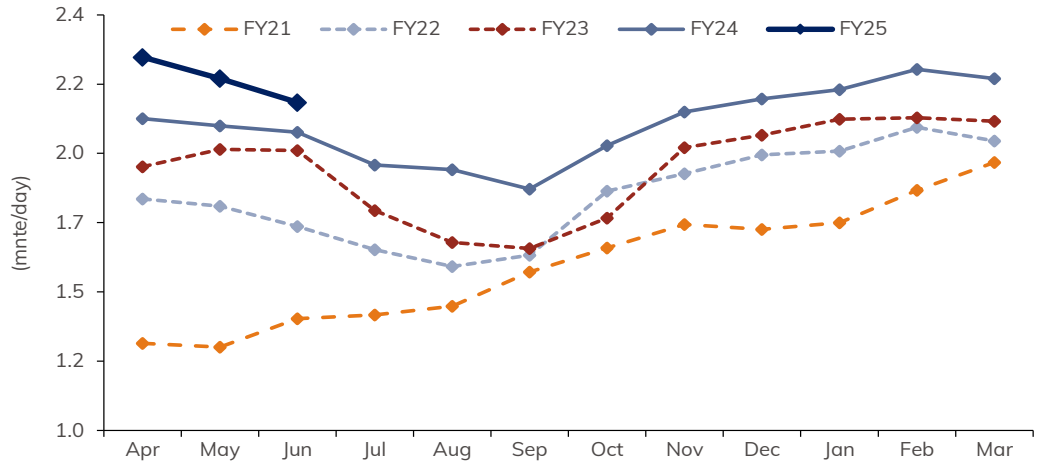
CIL's supplies to the power sector has ebbed due to sufficient stocks at power plants. However, we believe that higher supplies to NRS on the back of CIL's higher production and comfortable pit-head inventory are likely to boost the overall realisation. Thus far, both NRS volume and price are expected to be better than our estimates. We retain our **ADD** rating on the stock with an unchanged TP of INR 495 based on 7.5x FY26E EPS.

Exhibit 1: Production and sales volume snapshot

(mnmt)	Jun-24	Jun-23	May-24	YoY (%)	MoM (%)	FY25E	FY24
Production volume	63.1	58.0	64.4	8.8	(2.0)	835	774
Despatch volume	64.1	61.0	68.8	5.1	(6.8)	814	754

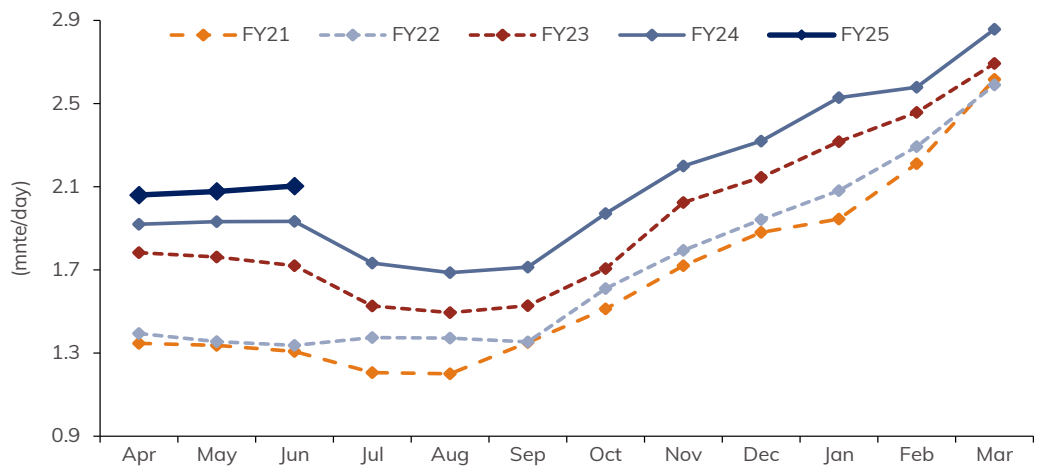
Source: I-Sec research, Company data

Exhibit 2: CIL's sales volume trend



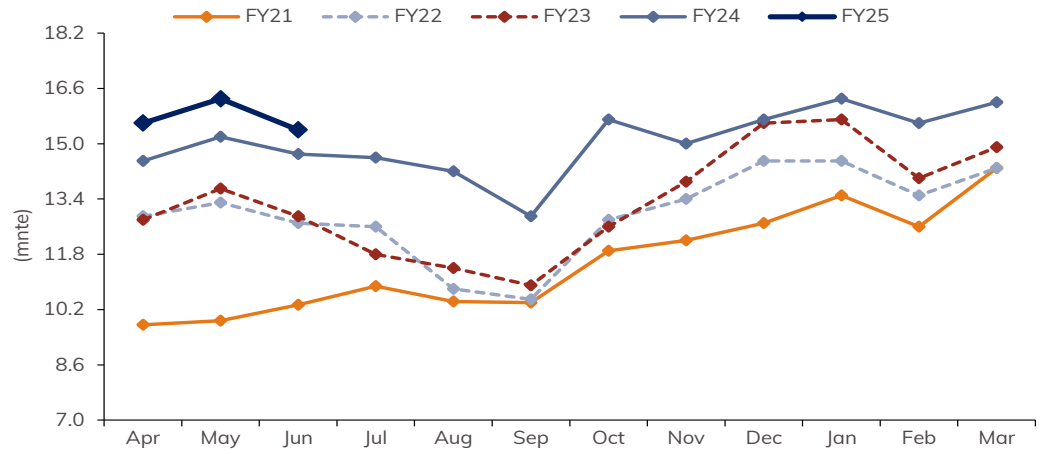
Source: I-Sec research, Company data

Exhibit 3: CIL's production trend



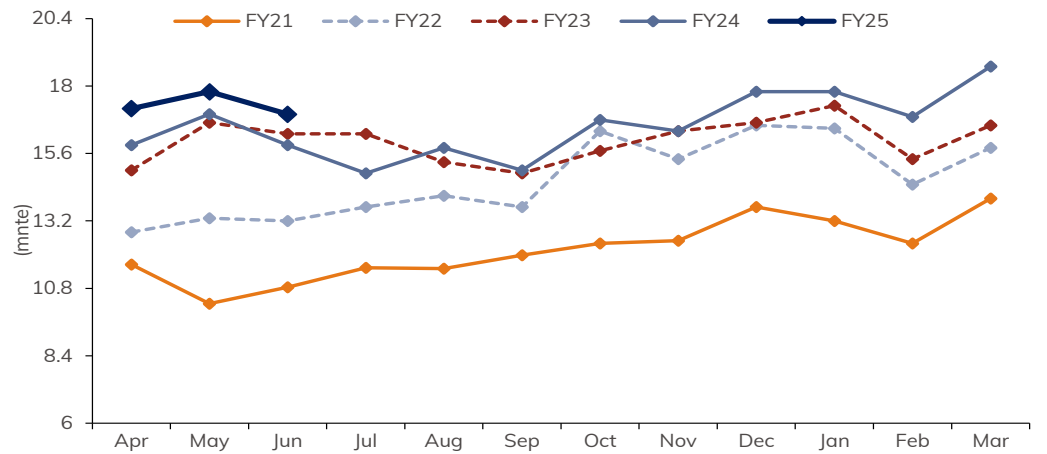
Source: I-Sec research, Company data

Exhibit 4: SECL's performance was stable



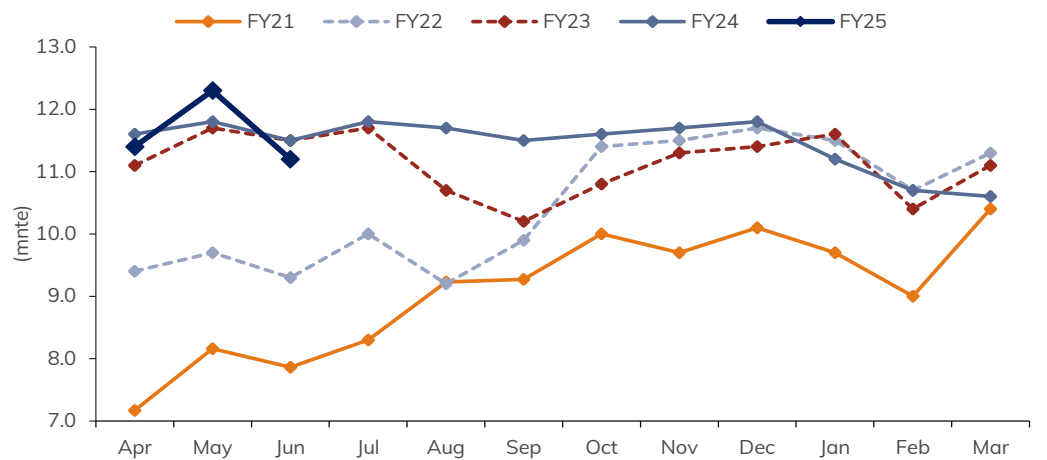
Source: I-Sec research, Company data

Exhibit 5: MCL showed an improved performance compared to last year



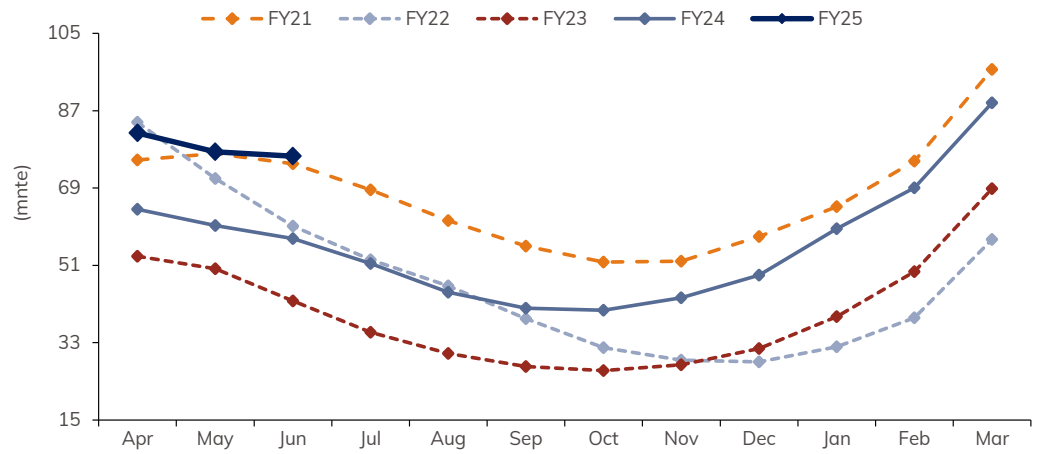
Source: I-Sec research, Company data

Exhibit 6: NCL's performance was slightly subdued



Source: I-Sec research, Company data

Exhibit 7: Comfortable pit-head stock



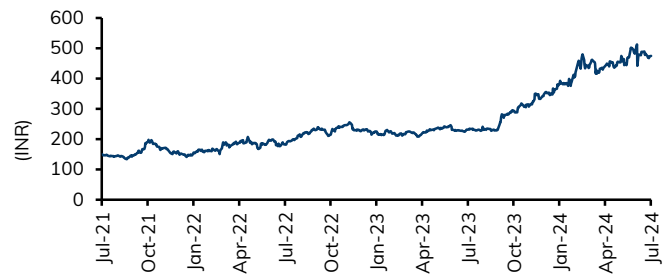
Source: I-Sec research, Company data

Exhibit 8: Shareholding pattern

%	Sep'23	Dec'23	Mar'24
Promoters	63.1	63.1	63.1
Institutional investors	31.6	31.6	31.6
MFs and others	11.1	10.4	10.8
FIs/Banks	0.3	0.3	0.1
Insurance	12.5	12.1	11.7
FIIIs	7.8	8.8	9.1
Others	5.3	5.3	5.3

Source: Bloomberg

Exhibit 9: Price chart



Source: Bloomberg

Financial Summary

Exhibit 10: Profit & Loss

(INR mn, year ending March)

	FY23A	FY24A	FY25E	FY26E
Net Sales	13,82,519	14,23,240	14,62,350	15,61,644
Operating Expenses	9,40,117	9,43,525	9,73,254	9,96,291
EBITDA	4,42,402	4,79,715	4,89,095	5,65,352
EBITDA Margin (%)	32.0	33.7	33.4	36.2
Depreciation & Amortization	68,329	67,354	72,868	82,520
EBIT	3,74,072	4,12,361	4,16,228	4,82,832
Interest expenditure	-	-	-	-
Other Non-operating Income	65,598	79,691	80,224	75,364
Recurring PBT	4,32,827	4,83,858	4,88,258	5,50,003
Profit / (Loss) from Associates	-	-	-	-
Less: Taxes	1,15,516	1,14,435	1,15,476	1,30,078
PAT	3,17,311	3,69,423	3,72,783	4,19,925
Less: Minority Interest	403	332	-	-
Extraordinaries (Net)	(81)	4,268	-	-
Net Income (Reported)	3,17,230	3,73,691	3,72,783	4,19,925
Net Income (Adjusted)	-	-	-	-

Source Company data, I-Sec research

Exhibit 11: Balance sheet

(INR mn, year ending March)

	FY23A	FY24A	FY25E	FY26E
Total Current Assets	10,34,897	10,06,323	10,39,235	11,23,315
of which cash & cash eqv.	3,99,217	3,02,352	3,30,230	3,98,057
Total Current Liabilities & Provisions	6,81,653	6,22,217	6,27,552	6,32,903
Net Current Assets	3,53,244	3,84,106	4,11,684	4,90,412
Investments	71,394	71,104	71,104	71,104
Net Fixed Assets	6,19,593	6,79,509	7,55,142	8,21,122
ROU Assets	-	-	-	-
Capital Work-in-Progress	1,52,626	1,47,387	1,63,887	1,80,387
Total Intangible Assets	49,475	69,399	69,399	69,399
Other assets	2,87,211	3,49,424	3,49,424	3,49,424
Deferred Tax Assets	-	-	-	-
Total Assets	15,37,254	17,04,515	18,24,225	19,85,434
Liabilities				
Borrowings	41,744	63,667	63,667	63,667
Deferred Tax Liability	16,440	18,222	18,222	18,222
provisions	8,62,934	7,86,808	7,18,617	6,44,783
other Liabilities	-	-	-	-
Equity Share Capital	61,627	61,627	61,627	61,627
Reserves & Surplus	5,46,802	7,65,671	9,53,571	11,88,614
Total Net Worth	6,08,429	8,27,298	10,15,199	12,50,241
Minority Interest	7,707	8,521	8,521	8,521
Total Liabilities	15,37,254	17,04,515	18,24,225	19,85,434

Source Company data, I-Sec research

Exhibit 12: Quarterly trend

(INR mn, year ending March)

	Jun-23	Sep-23	Dec-23	Mar-24
Net Sales	3,59,832	3,27,764	3,61,540	3,74,104
% growth (YoY)	2.5	9.8	2.8	(1.9)
EBITDA	1,05,139	81,370	1,30,207	1,13,376
Margin %	29.2	24.8	36.0	30.3
Other Income	15,378	19,839	22,033	22,441
Extraordinaries	-	-	-	-
Adjusted Net Profit	79,414	68,135	1,01,547	86,405

Source Company data, I-Sec research

Exhibit 13: Cashflow statement

(INR mn, year ending March)

	FY23A	FY24A	FY25E	FY26E
Operating Cashflow	3,57,340	1,81,031	3,77,760	4,17,709
Working Capital Changes	26,519	(1,61,835)	301	(10,901)
Capital Commitments	(1,41,072)	(1,63,085)	(1,65,000)	(1,65,000)
Free Cashflow	2,16,267	17,946	2,12,760	2,52,709
Other investing cashflow	(93,583)	1,18,227	-	-
Cashflow from Investing Activities	(2,34,655)	(44,858)	(1,65,000)	(1,65,000)
Issue of Share Capital	-	-	-	-
Interest Cost	-	-	-	-
Inc (Dec) in Borrowings	7,619	14,229	-	-
Dividend paid	(1,43,281)	(1,50,979)	(1,84,882)	(1,84,882)
Others	(1,382)	(2,243)	-	-
Cash flow from Financing Activities	(1,37,044)	(1,38,993)	(1,84,882)	(1,84,882)
Chg. in Cash & Bank balance	(14,359)	(2,820)	27,878	67,827
Closing cash & balance	2,77,436	3,96,397	3,30,230	3,98,057

Source Company data, I-Sec research

Exhibit 14: Key ratios

(Year ending March)

	FY23A	FY24A	FY25E	FY26E
Per Share Data (INR)				
Reported EPS	51.5	59.9	60.5	68.1
Adjusted EPS (Diluted)	51.5	60.7	60.5	68.1
Cash EPS	62.6	71.6	72.3	81.5
Dividend per share (DPS)	24.0	25.5	30.0	30.0
Book Value per share (BV)	98.7	134.2	164.7	202.9
Dividend Payout (%)	46.6	42.5	49.6	44.0
Growth (%)				
Net Sales	26.0	2.9	2.7	6.8
EBITDA	79.2	8.4	2.0	15.6
EPS (INR)	82.5	16.4	0.9	12.6
Valuation Ratios (x)				
P/E	9.2	7.9	7.8	7.0
P/CEPS	7.6	6.6	6.6	5.8
P/BV	4.8	3.5	2.9	2.3
EV / EBITDA	5.6	5.5	5.3	4.5
P / Sales	2.1	2.1	2.0	1.9
Dividend Yield (%)	5.1	5.4	6.3	6.3
Operating Ratios				
Gross Profit Margins (%)	90.3	92.9	92.6	92.6
EBITDA Margins (%)	32.0	33.7	33.4	36.2
Effective Tax Rate (%)	26.7	23.7	23.7	23.7
Net Profit Margins (%)	23.0	26.0	25.5	26.9
NWC / Total Assets (%)	-	-	-	-
Net Debt / Equity (x)	(0.7)	(0.4)	(0.3)	(0.3)
Net Debt / EBITDA (x)	(1.0)	(0.6)	(0.7)	(0.7)
Profitability Ratios				
RoCE (%)	52.8	46.5	36.0	33.4
RoE (%)	66.9	59.4	45.2	40.4
RoIC (%)	177.3	118.9	68.1	53.5
Fixed Asset Turnover (x)	2.7	2.4	2.1	2.1
Inventory Turnover Days	26	29	27	27
Receivables Days	42	37	35	36
Payables Days	28	24	23	23

Source Company data, I-Sec research

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