

Seasonally weak show, long term thesis remains intact

About stock: Coal India Ltd (CIL), is the largest coal producer domestically as well as globally. It is a 'Maharatna' PSU, operating under aegis of Ministry of Coal.

- Operation spanning 84 mining areas across eight states, currently owing 313 mines including 131 underground, 168 opencast and 14 mixed mines.

Q2FY25 Result: Coal India reports muted performance in Q2FY25. Total operating income came in at ₹30,673 crore (down 6% YoY, 16% QoQ) with coal sales volume of 168 million tonne (down 4% YoY & 16% QoQ). Reported EBITDA stood at ₹8,617 crore with EBITDA margins at 28% (down ~253 bps YoY). EBITDA/tonne for the quarter stood at ₹514/tonne vs. ₹578/tonne in Q2FY24. PAT stood at ₹6,289 crore (down 21% YoY). It declared a first interim dividend for FY25 at ₹15.75 per share.

Investment Rationale:

- Coal remains essential to India's energy requirement:** Coal continue to play a major role in India's energy landscape, providing ~55% of nation's energy and fulfilling ~70% of its electricity requirements. Despite a growing emphasis on renewable/non-fossil fuel-based energy, the demand for coal based thermal capacity is anticipated to rise to meet domestic energy needs. Consequently, coal demand is projected to reach ~1.3 to 1.5 billion tonnes by 2030 positioning CIL as a significant beneficiary, given that it accounts ~78% of the country's coal production and meets ~40% of energy requirement. Furthermore, with India importing ~200 million tonne of non-coking coal as of FY24, presents a near-term growth opportunity for CIL.
- Substantial capex in place to support its ambitious volume growth:** In alignment with government's vision of 24x7 power supply, CIL aims to produce 1,000 MT of coal by FY26E. Conservatively, we project coal production/sales volume at CIL to grow at 10% CAGR over FY24-27E to 1,000 MT by FY27E. Key factors supporting this growth include: (i) progress on 119 coal projects with a capacity of 896 million tonnes at a capex outlay of ~₹1.3 lakh crore (ii) improved coal transportation infrastructure (iii) reviving ~24 discontinued mines of which ~11 mines were awarded to bidders under a revenue sharing model with reserves at ~267 MT (iv) engagement with 15 MDOs targeting a capacity of ~170 MTPA
- Expanding its product portfolio beyond conventional coal mining:** CIL is strategically broadening its portfolio into newer domains such as (i) Coal Gasification project with JV agreements with BHEL and GAIL (ii) Investments in Thermal Power generation with projects like Mahanadi Basin Power Ltd among others (iii) Exploring prospects for acquiring & mining critical mineral assets in domestic & international markets. These measures are structurally positive for CIL and shall bear fruits in long term.

Rating and Target Price

- We remain **positive** on Coal India amidst healthy volume growth on anvil, superlative return ratios (RoCE's at ~30%+), healthy net cash positive b/s and robust dividend yield (~6%). We assign **BUY** rating to Coal India with target price of **₹585** i.e. 5.5x EV/EBITDA on FY26E.

Key Financial Summary

Key Financials (₹ crore)	FY21	FY22	FY23	FY24	5 year CAGR (FY19-24)	FY25E	FY26E	FY27E	3 year CAGR (FY24-27E)
Total Operating Income	90,026	1,09,714	1,38,252	1,42,324	7.4%	1,47,560	1,65,130	1,83,997	8.9%
EBITDA	18,629	24,690	44,240	47,971	13.9%	50,647	58,480	64,997	10.7%
EBITDA Margins (%)	20.7	22.5	32.0	33.7		34.3	35.4	35.3	
Net Profit	12,700	17,358	31,763	37,403	16.5%	37,549	43,024	47,891	8.6%
EPS (₹)	20.6	28.2	51.5	60.7		60.9	69.8	77.7	
P/E	21.4	15.6	8.5	7.2		7.2	6.3	5.7	
RoNW (%)	34.8	40.3	52.2	45.6		36.2	33.3	30.4	
RoCE (%)	30.3	37.1	50.3	41.5		35.6	34.4	32.2	

Source: Company, ICICI Direct Research



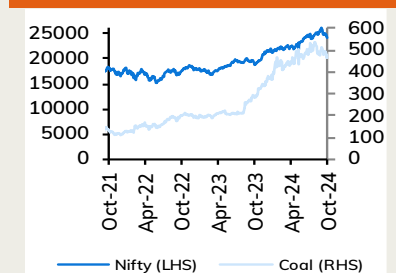
Particulars

Particulars	₹ crore
Market capitalisation	2,71,160
Total Debt (FY24)	6,289
Cash & Investment (FY24)	33,486
EV (₹ crore)	2,43,963
52 week H/L (₹)	545 / 306
Equity capital (₹ crore)	6,162.7
Face value (₹)	10.0

Shareholding pattern

	Dec-23	Mar-24	Jun-24	Sep-24
Promoter	63.1	63.1	63.1	63.1
FII	8.6	8.4	8.4	9.2
DII	23.1	23.2	23.2	22.6
Other	5.2	5.3	5.3	5.1

Price Chart



Recent Event & Key risks

- Sales/PAT is expected to grow at 9% CAGR over FY24-27E.

Key Risk: (i) lower than expected growth in sales volume (ii) higher than anticipated shift towards renewable energy, creating challenges for coal demand

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Key Tables and Charts

Exhibit 1: Quarterly Analysis

	Q2FY25	Q2FY24	YoY (%)	Q1FY25	QoQ (%)	Comments
Total Operating Income	30,673	32,776	-6.4	36,465	-15.9	Topline decline by 6% YoY owing to muted volumes and lower blended realisation
Raw Material Expenses	3,259	3,960	-17.7	3,025	7.7	
Employee Expenses	11,484	11,645	-1.4	11,455	0.3	Employee expenses came in a tad lower on YoY basis. It came in well within the expectations
Contractual Expenses	5,999	5,524	8.6	7,810	-23.2	Contractual expenses came in a tad higher by 9% YoY at ~₹ 6,000 crore
Other expenses	2,776	2,754	0.8	2,632	5.5	
Stripping Adjustment Activity	-1,463	-1,145	27.8	-2,796	-47.7	
EBITDA	8,617	10,038	-14.2	14,339	-39.9	EBITDA was down 14.2% YoY in Q2FY25
EBITDA Margin (%)	28.1	30.6	-253 bps	39.3	-1123 bps	
Other Income	1,505	1,984	-24.1	1,885	-20.1	
Depreciation	1,898	1,594	19.1	1,952	-2.8	Depreciation came in on expected lines
Interest	208	182	14.1	209	-0.3	
Tax	1,879	2,326	-19.2	3,204	-41.4	
PAT	6,289	8,010	-21.5	10,959	-42.6	PAT for the quarter degrew by 21.5% YoY
Key Metrics						
Sales Volume (million tonne)	167.7	173.8	-3.5	198.5	-15.5	Sales volume were down by 3.5% YoY to 168 MT
Blended Realisations (₹/tonne)	1,626	1,725	-5.7	1,671	-2.7	Realisations declined YoY due to lower FSA realisation as well as lower e-auction volumes
EBITDA/tonne	514	578	-11.0	722	-28.9	EBITDA/tonne declined by 11% YoY to ₹514/tonne. Q2 is usually the weak quarter for CIL

Source: Company, ICICI Direct Research

Exhibit 2: Key Operational Matrix including assumptions

Particulars	Units	FY22	FY23	FY24	FY25E	FY26E	FY27E
Total Production	MT	623	703	774	811	900	1,000
Total FSA	MT	540	621	670	702	792	850
% of total sales vol	%	82%	89%	89%	88%	88%	85%
Realisation	₹/tonne	1,407	1,475	1,536	1,498	1,500	1,500
Total E-Auction	MT	28	62	70	90	108	150
% of total sales vol	%	4%	9%	9%	11%	12%	15%
Realisation	₹/tonne	2,434	4,841	3,059	2,436	2,250	2,175
Total Washed Coal	MT	7	7	8	12	13	15
% of total sales vol	%	1%	1%	1%	1%	1%	1%
Realisation	₹/tonne	3,346	5,012	3,852	4,325	4,320	4,055
Total Sales Volume	MT	663	695	754	800	900	1,000
Blended Realisation	₹/tonne	1,519	1,836	1,711	1,677	1,676	1,688
EBITDA/tonne	₹/tonne	373	637	636	633	650	650

Source: Company, ICICI Direct Research

Exhibit 3: Change in headline estimates

(₹ Crore)	FY25E			FY26E			FY27E	Comments
	Old	New	% Change	Old	New	% Change	Introduced	
Sales Volume (MT)	830	800	-3.6	950	900	-5.3	1,000	Lower our volume estimates on account of muted volumes prints in Q2FY25
Blended Realization (₹/tonne)	1,679	1,677	-0.1	1,686	1,676	-0.6	1,688	Marginally tweaked our estimates on blended realization owing to lower FSA realization
Total Op.Income	1,52,245	1,47,560	-3.1	1,74,593	1,65,130	-5.4	1,83,997	Consequently, we have reduced our revenue estimates for FY25E and FY26E
EBITDA	53,169	50,647	-4.7	61,733	58,480	-5.3	64,997	
EBITDA (₹/tonne)	640	633	-1.1	650	650	0.0	650	Introducing FY27E estimates with EBITDA/tonne retained at ₹ 650/tonne
PAT	39,693	37,549	-5.4	45,781	43,024	-6.0	47,891	
EPS (₹)	64	61	-4.8	74	70	-5.7	78	Expecting Coal India to report ₹78 EPS in FY27E

Source: Company, ICICI Direct Research

Financial Summary

Exhibit 4: Profit and loss statement					₹ crore
(Year-end March)	FY24	FY25E	FY26E	FY27E	
Net Sales	1,30,326	1,34,223	1,50,804	1,68,805	
Other Operating Income	11,998	13,336	14,326	15,192	
Total Operating Income	1,42,324	1,47,560	1,65,130	1,83,997	
Growth (%)	2.9	3.7	11.9	11.4	
Raw Material Expenses	10,059	14,531	16,200	18,000	
Employee Expenses	48,783	48,979	54,000	60,000	
Other Operating Expense	35,511	33,403	36,450	41,000	
Total Operating Expenditure	94,352	96,913	1,06,650	1,19,000	
EBITDA	47,971	50,647	58,480	64,997	
Growth (%)	8.4	5.6	15.5	11.1	
Depreciation	6,735	7,676	8,314	8,831	
Interest	819	810	714	623	
Other Income	7,969	6,690	7,431	7,820	
PBT	48,386	48,851	56,883	63,364	
Profit from JV & MI	-460.0	-540.6	-490.5	-503.9	
Total Tax	11,443	11,843	14,350	15,976	
PAT	37,402	37,549	43,024	47,891	
Growth (%)	17.8	0.4	14.6	11.3	
EPS (₹)	60.7	60.9	69.8	77.7	

Source: Company, ICICI Direct Research

Exhibit 5: Cash flow statement					₹ crore
(Year-end March)	FY24	FY25E	FY26E	FY27E	
Profit after Tax	37,402	37,549	43,024	47,891	
Add: Depreciation	6,735	7,676	8,314	8,831	
(Inc)/dec in Current Assets	-6,276	-4,352	-7,952	-8,532	
Inc/(dec) in CL and Provisions	-10,012	-6,250	10,334	10,327	
Others, Sub-Other Income	-7,150	-5,879	-6,717	-7,197	
CF from operating activities	20,700	28,743	47,003	51,321	
(Inc)/dec in Investments	29	-2,100	-10,100	-12,100	
(Inc)/dec in Fixed Assets	-19,195	-20,000	-22,000	-22,000	
Others, Add- Other income	2,940	6,250	7,066	7,467	
CF from investing activities	-16,226	-15,850	-25,034	-26,633	
Issue/(Buy back) of Equity	0	0	0	0	
Inc/(dec) in loan funds	2,174	-500	-500	-500	
Dividend & interest outgo	-15,918	-16,525	-17,970	-19,727	
Inc/(dec) in Share Cap	0	0	0	0	
Others	-417	0	0	0	
CF from financing activities	-14,161	-17,025	-18,470	-20,227	
Net Cash flow	-9,686	-4,133	3,500	4,461	
Opening Cash	39,921	30,235	26,102	29,602	
Closing Cash	30,235	26,102	29,602	34,062	

Source: Company, ICICI Direct Research

Exhibit 6: Balance Sheet					₹ crore
(Year-end March)	FY24	FY25E	FY26E	FY27E	
Liabilities					
Equity Capital	6,163	6,163	6,163	6,163	
Reserve and Surplus	76,568	98,401	1,24,170	1,52,957	
Total Shareholders funds	82,730	1,04,564	1,30,332	1,59,119	
Total Debt	6,289	5,789	5,289	4,789	
Deferred Tax Liability	1,822	1,822	1,822	1,822	
Minority Interest / Others	11,997	12,158	12,392	12,640	
Total Liabilities	1,02,839	1,24,333	1,49,836	1,78,370	
Assets					
Gross Block	1,08,606	1,27,567	1,49,567	1,71,567	
Less: Acc Depreciation	32,938	40,613	48,927	57,758	
Net Block	75,669	86,953	1,00,639	1,13,808	
Capital WIP	18,960	20,000	20,000	20,000	
Total Fixed Assets	94,629	1,06,953	1,20,639	1,33,808	
Investments	7,110	9,210	19,310	31,410	
Inventory	10,177	10,107	11,310	12,603	
Debtors	13,256	16,171	18,096	20,164	
Loans and Advances	380	394	441	492	
Other Current Assets	46,943	48,436	53,212	58,334	
Cash	30,235	26,102	29,602	34,062	
Total Current Assets	1,00,991	1,01,210	1,12,662	1,25,654	
Current Liabilities	8,386	8,894	9,953	11,090	
Provisions	80,992	72,561	76,224	79,388	
Current Liabilities & Prov	1,34,834	1,28,584	1,38,918	1,49,245	
Net Current Assets	-33,843	-27,373	-26,256	-23,591	
Others Assets	34,942	35,542	36,142	36,742	
Application of Funds	1,02,839	1,24,333	1,49,836	1,78,370	

Source: Company, ICICI Direct Research

Exhibit 7: Key ratios					₹ crore
(Year-end March)	FY24	FY25E	FY26E	FY27E	
Per share data (₹)					
EPS	60.7	60.9	69.8	77.7	
Cash EPS	71.6	73.4	83.3	92.0	
BV	134.2	169.7	211.5	258.2	
DPS	25.5	25.5	28.0	31.0	
Cash Per Share	49.1	42.4	48.0	55.3	
Operating Ratios (%)					
EBITDA Margin	33.7	34.3	35.4	35.3	
PAT Margin	26.3	25.4	26.1	26.0	
Inventory days	26.1	25.0	25.0	25.0	
Debtor days	34.0	40.0	40.0	40.0	
Creditor days	21.5	22.0	22.0	22.0	
Return Ratios (%)					
RoE	45.6	36.2	33.3	30.4	
RoCE	41.5	35.6	34.4	32.2	
RoIC	87.9	62.0	61.8	60.4	
Valuation Ratios (x)					
P/E	7.2	7.2	6.3	5.7	
EV / EBITDA	5.1	4.8	4.0	3.3	
EV / Net Sales	1.7	1.7	1.4	1.2	
Market Cap / Sales	1.9	1.8	1.6	1.5	
Price to Book Value	3.3	2.6	2.1	1.7	
Solvency Ratios					
Debt/EBITDA	0.1	0.1	0.1	0.1	
Debt / Equity	0.1	0.1	0.0	0.0	
Current Ratio	0.7	0.8	0.9	0.9	
Quick Ratio	0.6	0.7	0.7	0.8	

Source: Company, ICICI Direct Research

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Sell: <-15%



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