

Stock Update Coal India Ltd.

Feb 20, 2023





Industry	LTP	Recommendation	Base Case Fair Value	Bull Case Fair Value	Time Horizon
Coal	Rs. 217.50	Buy in the Rs. 215-220 band & add more on dips to Rs. 193- 197 band	Rs. 240	Rs. 263	2 -3 quarters

HDFC Scrip Code	COALTD
BSE Code	533278
NSE Code	COALINDIA
Bloomberg	COAL IN
CMP Feb 17, 2023	217.5
Equity Capital (Rs Cr)	6162.7
Face Value (Rs)	10
Equity Share O/S (Cr)	616.3
Market Cap (Rs Cr)	134,039.3
Book Value (Rs)	79.3
Avg. 52 Wk Volumes	29821178
52 Week High	263.3
52 Week Low	149.0

Share holding Pattern % (Dec, 2022)	
Promoters	66.1
Institutions	29.1
Non Institutions	4.8
Total	100.0



* Refer at the end for explanation on Risk Ratings

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Our Take:

Coal India Ltd. (CIL) is the single largest coal producer in the world and functions through its eight subsidiaries in 84 mining areas spread over eight states of India. A total of 290 mines are operational in CIL out of which 97 mines produce more than one MT per year. For all 97 such coal mines, 41 mines have issues of land acquisition, forest clearance, environment clearance, rail connectivity and road connectivity have been discussed and timelines fixed. CIL reported the best-ever production figure of 622.63 MT in FY22 registering a growth of 4.4%, the highest ever offtake was at 661.9 MT. CIL is presently operating 13 coal washeries, with a total washing capacity of 24.94 MTY (out of these, 11 are coking coal washeries and balance 2 are non-coking). CIL is largest coal supplier to India's power sector.

The government's plans to increase coal production to substitute imports, (that stood at more than 200 MT) could help CIL to register sustainable volume growth over the next couple of years. Moreover, cost control initiatives such as reduction of manpower (employee cost accounts for 53-54% of overall cost) could expand margins. CIL last raised prices in FY18. We expect, CIL to announce a price hike, which could cover the increased wage bill and leave room for margin expansion. We expect, due to higher fuel cost and wage revision, the company could take a call to price hike in the near to medium term.

CIL has targeted 1 Bn Ton (Bt) production for FY24E to meet the coal demand of the country. To achieve this target, CIL has identified major projects and assessed other related issues like requirement of EC/FC, land, evacuation constraints. Among the various projects, the company identified projects like, enhancement of equipment, revival of fertilizer plants, land acquisitions and modernization of plant and equipment, etc. CIL production has increased to 479.04 million tons (MT) in April-December 2022 (Vs 413.6 MT in Apr-Dec 2021).

CIL and the four trade unions recently mutually agreed on 19% minimum guaranteed benefit for the National Coal Wage Agreement (NCWA)-XI. This will be effective from July 01, 21 for a period of five years on emoluments (basic pay + variable dearness allowance + special dearness allowance + attendance bonus) and will be payable to 2.38 lacs non-executive employees. Discussions on the remaining issues are expected to close by FY23-end. Final approval of wage hike including wage arrears could bring margin pressure in near to medium term. Post the new wage agreement, the bill will increase by Rs 5,000-6,000 crore p.a than last fiscal.

We had issued a stock update report on March 24, 2022, on Coal India Ltd. ([Link](#)) and recommended to Buy in the Rs 181-185 band & add more on dips to Rs. 162-166 band and for a base case target of Rs 208 and Rs 225 over the next two quarters. The stock achieved both



targets before expiry of the call. Given the healthy growth outlook and expectation of strong set of numbers in FY23, we have now revised earnings and increased target price for the stock.

Valuation & Recommendation:

Coal remains a primary source for energy in India and demand for coal is likely to grow over the next few years as economy is likely to grow. CIL is in a comfortable position to meet India’s growing demand, as number of CIL projects are in the development stage and likely to start delivering in the next two-to-three years. CIL owns 48% of India’s proven coal reserves in its command area and accounts for the bulk of the domestic coal production. CIL will continue to enjoy its monopoly status over the medium term. CIL contributed ~80% of domestic coal production in FY22. Nearly 81.5% of its coal production serves the power sector, with the remaining supporting the steel, fertiliser and other sectors. Total production by the company and dispatch in FY22 were 622.6 and 661.9 million tonne, respectively (596 and 574.5 million tonne, respectively, in the previous fiscal). In FY23YTD, production of coal was up 15.2% to 550.9 Mn Tons, while coal offtake was up 5.5% to 572.7 Mn Tons. Coal inventory has fallen due to this releasing some pressure on working capital.

CIL enjoys monopolistic status, healthy profitability, higher dividend payout and strong financial profile. Despite its near-monopoly status, the company’s stock is still trading below the IPO listing price (IPO in Oct 2010) and it has been one of India’s worst-performing large-cap stocks over the past (though it has paid out attractive dividends year after year). Despite the dismal performance, the stock might prove to be a good cyclical growth play. Dependence on coal is likely to increase in the near term. Besides, the board has given an in-principle approval to divest a 25% stake in Bharat Coking Coal Ltd (BCCL) and awaits the government’s nod. A stake sale and a potential listing could help unlock value.

Investors could buy in the Rs 215-220 band and add more on dips in the Rs. 193-197 (4.25x Dec’ 24E EPS). Base case fair value of the stock is Rs 240 (5.25x Dec’ 24E EPS) and the bull case fair value of the stock is Rs 263 (5.75x Dec’ 24E EPS) over the next 2-3 quarters. At the CMP of Rs 217.5 the stock trades at 4.75x Dec’ 24E EPS.

Financial Summary (Consolidated)

Particulars (Rs cr)	Q3FY23	Q3FY22	YoY-%	Q2FY23	QoQ-%	FY21	FY22	FY23E	FY24E	FY25E
Total Operating Income	35169	28434	23.7	29838	17.9	90,026	1,09,714	1,33,734	1,43,440	1,54,509
EBITDA	10389	6825	52.2	7280	42.7	18,630	24,691	40,923	37,438	41,099
APAT	7756	4558	70.1	6044	28.3	12,705	17,387	30,942	27,598	30,000
Diluted EPS (Rs)	12.6	7.4	70.1	9.8	28.3	20.6	28.2	50.2	44.8	48.7
RoE-%						37.0	43.6	65.9	52.0	50.2
P/E (x)						10.6	7.7	4.3	4.9	4.5
EV/EBITDA (x)						6.6	4.4	2.6	2.7	2.4

(Source: Company, HDFC sec)



Q3FY23 Result Update

- Coal India numbers in Q3FY23 were above expectations. Its robust growth in revenue was supported by healthy offtake and better realisation in the quarter. Consolidated revenue was up by 23.7% YoY to Rs 35,169 crore in Q3FY23.
- EBITDA grew by 52.2% YoY basis and stood at Rs 10389 crore in Q3FY23, supported by strong revenue in the quarter and EBITDA margin increased to 29.5% in Q3FY23 vs. 24% in Q3FY22.
- The company posted a net profit growth by 71.1% YoY to Rs 7,756 crore in Q3FY23. Net profit margin stood at 22.1% Q3FY23, vs. 16% in Q3FY22.
- Its production increased to 180.064 MT in Q3FY23 vs. 163.819 MT in Q3FY22 and its offtake (including purchased coal) stood at 175.789 MT in Q3FY23 vs. 173.764 MT in Q3FY22.
- In Q3FY23, FSA dispatched stood at 157.83 MT and e-auction at 14.65 MT, Average realisation from FSA was at Rs 1481.9/ton and Rs 5046.08/ton from e-auction (vs Rs.1413.75 and Rs.6064 respectively).

Key Updates

Capex plan to achieve its production targets of 1 bn ton coal by FY24E

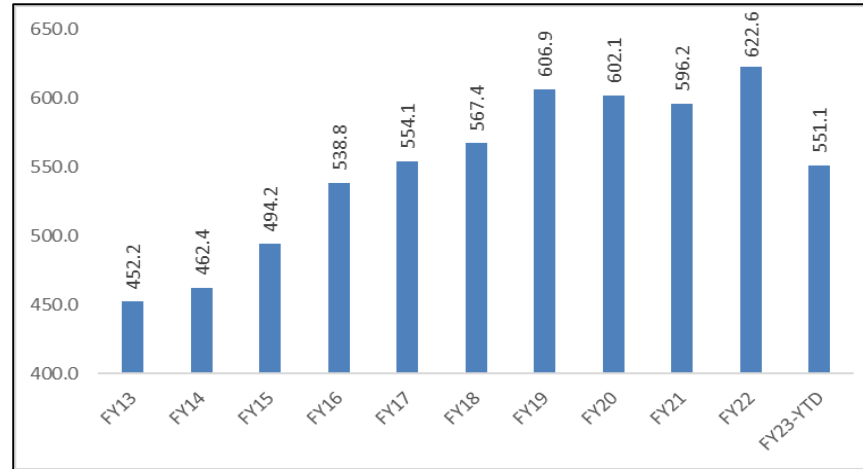
CIL produced 622.6 MT coal in FY22 vs. 596.2 MT coal in FY21, and CIL is looking to achieve 1 Bn ton coal production by FY24, with a required compound annual growth rate of ~17%. CIL has been given the task to produce 780 MT of coal, followed by 75 MT for Singareni Collieries Company Ltd (SCCL) and 162 MT for captive and commercial mines. Coal India accounts for over ~80% of domestic coal output and import of thermal coal in the country will be stopped completely by 2024-25. The government's target is to produce 900 million tons of coal in FY24 and 163 mines will be auctioned. CIL produced 622 MT of coal in FY22 and 479 MT have been produced so far in the current financial year. It is expected that CIL will surpass the target of 700 MT fixed for current fiscal and accordingly will achieve 780 MT for the year 2023-24. CIL accounts for over 80 per cent of domestic coal production.

CIL's has made capital expenditure Rs 15,401 crore in FY22 and it was the highest ever registering 15.94% growth compared to the capex of Rs 13,284 crore of FY21. The company has earmarked a capex of close to Rs 16,500 crore for FY23E. Further, as per the investment plan, CIL has planned to invest substantial amount in diversification projects viz. Solar Power, Thermal Power Plant, Revival of Fertilizer Plants, Surface Coal Gasification (SCG), CBM, etc. over the year. Besides, CIL could pursue overseas acquisition of mines after detailed study and analysis of the blocks, especially low ash coking coal.

CIL reported a 33% increase in its capital expenditure to Rs 7,017 crore in H1FY23. During the same period last financial year, the company had reported a capex of Rs 5,300 crore. The growth came on the tailwinds of expenditure pumped into the expansion of coal evacuation infrastructure.



Production (MT)-



Capex (Rs in Cr)



(Source: Company, HDFC sec)

Projects detail

Projects completed in FY22

5 coal projects with a sanctioned capacity of 12.6 MTY and sanctioned capital of Rs 1769 crore with a total completion capital of Rs 1728 crore in FY22.

Status of ongoing projects (costing Rs 20 crore & above):

CIL is working on 117 coal projects with a sanctioned capacity of 918.86 MTY and a sanctioned capital of Rs 132,634 crore are in different stages of implementation out of which 75 projects are on schedule and 42 projects are delayed due to delay in FC, possession of land and issues related to R&R.

Projects sanctioned (costing Rs 20 crores & above)

16 Mining Projects with a sanctioned capacity of 99.84 MTY and sanctioned capital of Rs 18309 crore in FY22. 3 non-mining projects with a Sanctioned capital of Rs 5551 crore were approved in FY22.

First Mile Connectivity (FMC) Projects:

Under CIL's flagship 'First Mile Connectivity Projects (FMC)', 44 projects have been identified for implementation in two phases which will upgrade the mechanized coal transportation and loading system. FMC Projects will help increase mechanized evacuation from 151 MTPA currently to 622.5 MTPA.



In the first phase, out of the planned 35 FMC projects of 414.5 MTPA capacity awarded at a capital investment of Rs 10,750 crore. 6 FMC Projects of 82 MTPA capacity viz. Kumdanda PH-I (10MTPA), Lingaraj (16 MTPA), Krishnashila (4 MTPA), Block-B Rail Connectivity, Kumdanda PHII (40 MTPA) and Sonapur Bazari (12 MTPA) have been commissioned till 31st Mar' 2022. Out of the balance 29 projects, 28 projects of 312.5 MTPA are under various stages of construction LoA/WC has been terminated in 1 project of 20 MTPA due to FC issues.

In the second phase, out of the 9 FMC Projects of 57 MTPA with an estimated investment of about Rs 2,500 crore., LoA/WO have been issued for 3 FMC Projects of 14 MTPA capacity in FY 2021-22, viz. Kumardih- B CHP of 1 MTPA, Hura C CHP-SILO of 3 MTPA and Mungoli-Nirguda CHP-SILO of 10 MTPA capacities. The rest are under different stages of formulation and approvals. Target completion of all the projects is FY24 for Phase-I and FY-25 for Phase- II.

Diversification into Chemical & Fertiliser, Coal Gasification, Aluminium Smelting, Solar Power and Thermal Power generation

Setting up of natural gas based ammonia-urea complex at Gorakhpur, Sindri and Barauni

A Joint Venture company named Hindustan Urvarak & Rasayan Ltd (HURL) comprising of CIL, NTPC, IOCL, FCIL and HFCL has been incorporated to set up natural-gas based 1.27 MTPA urea plant at the premises of closed fertilizer plants of FCIL at Gorakhpur (U.P.) & Sindri (Jharkhand) and that of HFCL at Barauni (Bihar) with the shareholding of promoters being CIL- 29.67%, NTPC- 29.67%, IOCL- 29.67% & FCIL/HFCL (combined)-10.99% The three plants are being set up with an estimated cost of around Rs 25,000 crore, financed by a debt equity structure of 75:25. Gorakhpur unit has been commissioned on Dec 07, 2021. The Sindri and Barauni units are also near completion and scheduled to be commissioned shortly. The commercial production of urea from all three plants will commence soon.

Setting up of coal based ammonia-urea complex at Talcher:

A Joint Venture company named Talcher Fertilizers Ltd (TFL) comprising of RCF, CIL, GAIL and FCIL was constituted to set up a Surface Coal Gasification based integrated fertilizer complex at Talcher using coal from nearby Talcher Coalfields. The shareholding pattern of promoters is CIL-31.85%, RCF-31.85%, GAIL-31.85% & FCIL-4.45%. Coal blended with pet-coke upto 25% shall be gasified to produce syngas which shall be converted into neem coated urea equivalent to annual capacity 1.27 Mn Metric Ton of the end product. The plant will be set up at an estimated cost of Rs 13,277 crore, with a debt-equity structure of 72:28. Work orders for Coal Gasification plant and Ammonia Urea plant have already been awarded in Sep-2019. As of March 31, 2022, the overall progress of the project is at 22%. Construction of raw water supply Line and power system charged and site grading work near completion. The plant is expected to come into operation in FY25.

Surface Coal Gasification (SCG) Projects of Subsidiaries:

CIL to set up an integrated Coal-to-Chemical (C2C) plants; pre-feasibility studies completed and proposed to be located near the mine head. Three plants utilizing low ash coal will be set up at subsidiaries namely ECL, SECL and WCL to produce Methanol, Ammonia and Ammonium Nitrate respectively. The initiatives are under various stages of implementation. Additionally, a pre-feasibility study with BHEL



has also been initiated to explore setting up of a C2C plant, based on indigenously developed technology utilizing high ash coal to produce Ammonium Nitrate. BHEL has entered into agreements with CIL and CIL and BHEL will jointly set up a coal to ammonium nitrate project based on gasification of high ash domestic coal.

Aluminium smelting:

CIL has approved submission of application to acquire prospecting licence and mining leasehold of Bauxite mine(s) in Odisha for the Integrated Greenfield Aluminum Project through MCL. Under single window clearance system, CIL has received 'in principle' approval from High Level Clearance Authority (HLCA) for setting up of 1 MTPA refinery, 0.5 MTPA Aluminum Smelter and 1400 MW CPP. Currently, on site due diligence for identification of potential sites for smelter/CPP and Alumina Refinery- Bauxite Mine is in progress.

Thermal Power generation:

Through South Eastern Coalfields Limited (SECL), CIL envisages to partner with MPPGCL to form a separate JV for setting up of proposed 1x660 MW expansion project at Amarkantak Thermal Power Station (ATPS). Coal will be supplied from SECL by means of a fresh linkage (to be applied by JVC). As the next step, MoU between SECL and MPPGCL will be executed.

Setting up 1,190 MW solar power plant in Rajasthan

CIL signed a MoU with the Rajasthan Vidyut Utpadan Nigam Ltd (RUVNL), for setting up a 1,190-MW solar power plant in the Bikaner district of Rajasthan. The plant will be installed in a 2,000-MW solar park being developed by RVUNL in Poogal, Bikaner. The Rajasthan government has allotted 4,846 hectares of land to the solar park in which RVUNL will add its own solar power project with a capacity of 810 MW and the rest 1,190 will be set up by the CIL.

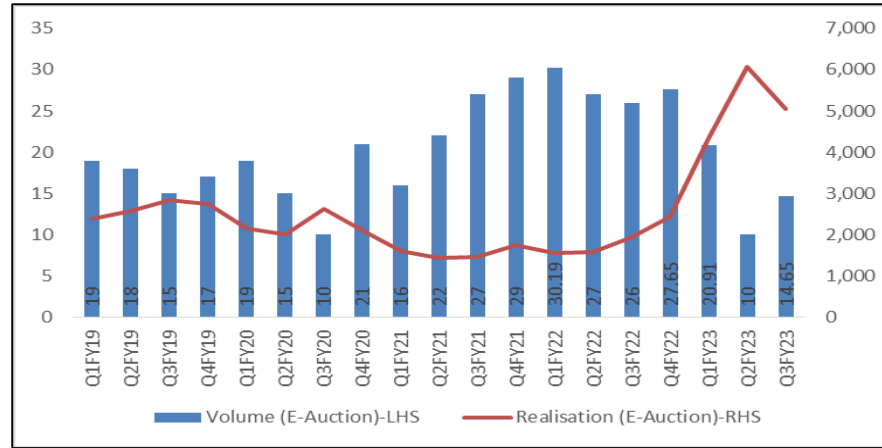
Rise in e-auction and Spot Coal prices to improve its realization

CIL's e-auction volume rose to 14.65 MT in Q3FY23 vs ~10 MT in Q2FY23. As prices of e-auction fell to Rs. 5047 vs 6064 in Q2FY23, volumes picked up. In Q3FY23, FSA volume share fell marginally to 89.7%.

We believe that the Q4FY23 performance of CIL will be better QoQ and YoY with higher volume on e-auction. E-auction premium cooled off to 241% in Q3FY23 vs. 329% in Q2FY23. Because of increased production, cost per ton has reduced significantly, and we expect with the rise in coal prices in international market, CIL could get higher prices in e-auction as well.



E-Auction Volume and Realisation



(Source: Company, HDFC sec)

Sound financial profile

- CIL's financial profile remained comfortable in FY22 and the company enjoys high financial flexibility and better productivity in terms of output per man-shift through increased outsourcing and capital expenditure (capex) that kept the operating margin healthy over the past decade. Application of coal cess from December 2017 and increase in price in January 2018 resulted in higher profitability in FY19.
- Profitability was impacted in FY20 by lower offtake (especially by the power sector) and depressed e-auction premiums. Profitability was also moderately impacted during fiscal 2021 due to lower offtake especially by the coal and steel sector driven by the Covid-19 pandemic. Operating profit before depreciation, interest and taxes (OPBDIT) margin was 22.5% in FY22 compared with 20.7% in the previous fiscal.
- The liquidity position of the company is expected to remain strong owing to healthy cash accruals aided by control over receivables. CIL's total cash and cash equivalents stood at ~Rs 36,000 crore as on 31 March, 2022 vs. ~Rs 21,000 crore, as of 31 March, 2021. CIL has comfortable debt metrics and has ability to raise both debt and equity capital from the capital markets.
- The company has made strong dividend payout of ~60% in FY22, with dividend yield at ~7.8%. We expect dividend per share at Rs 27, Rs. per share to the shareholders for FY23E, FY24E and FY25E, respectively.

What could go wrong?

- Economic slowdown, volatility in global coal prices, natural calamities in consuming and/or producing regions and regulatory changes in coal as well as power industry could impact its growth story in the future. The changing macro-economic scenario can have an impact on the growth plans of the company.



- The government and various committees have suggested not adding more coal-fired plants keeping in view its commitment to become carbon neutral by 2070. Not adding any more thermal power capacity, could impact coal demand going forward, as Coal India is largest producer of coal in India.
- Coal output from the company has remained nearly stagnant over the past few years due to poor land acquisition, R&R issues, encroachment issues, delay in forestry and environmental clearances, evacuation and logistics constraints, law and order problems and heavy rainfall witnessed in the coal mining areas, with the company missing its target continuously and it is key challenge to solve the production issue. Lower-than-expected volume offtake and realization from e-auction could impact margin and earnings outlook.
- In the present legislative and regulatory framework, the allottee of a captive coal block has to obtain multitude of clearance and approvals with the environment ministry taking the maximum time (around 3-4 years). There are various state and central level agencies involved in clearing a proposal.
- Apart from governance challenges, Coal India has almost no control on the price at which it sells its product. Lack of pricing power have also impacted the performance. Coal India is unable to increase prices of its product due to the belief that its consumer -- power producer and power distribution companies cannot afford it. Power tariffs have been kept low due to political reasons and quality and uninterrupted power is denied to the consumers under the garb that they cannot afford it.
- A subsidiary of CIL, North Eastern Coalfields extracted coal worth Rs 4,872 crore in eastern Assam without obtaining mining rights, the report of a probe panel constituted by the State government has revealed. The recovery amount was calculated on the basis of NEC's earnings from the "illegal mines" between 2003 and 2021, when it ceased operations. Any adverse development could impact CIL's operating performance going forward.
- State-Run Power Generation Companies have to repay Rs 6,477.5 crore to CIL, Maharashtra State Power Generation Company owes a maximum Rs 2,608 crore, West Bengal Power Development Corporation Limited (WBPDCL) has to pay Rs 1,066.40 crore, Tenughat Vidyut Nigam Ltd -- a government of Jharkhand undertaking -- owes coal dues of Rs 1,018.22 crore to CIL, followed by Tamil Nadu Generation and Distribution Corporation Ltd (Rs 823.92 crore), Madhya Pradesh Power Generating Company (Rs 531.42 crore) and Rajasthan Rajya Vidyut Utpadan Nigam Ltd (Rs 429.47 crore). Any delay in receiving dues amount from power discoms could impact its liquidity.
- Addition in renewables would make 65-70% in the total energy basket over the next five years, it could impact the growth outlook of thermal power projects, which is based on coal.
- CIL's profitability could fall in near to medium term due to recent wage hike to a combined 2.8 lac non-executive employees unless coal prices are revised upwards
- Any material adverse impact of changes in India's coal policy, pricing policy, land acquisition could affect its operation going forward
- Any divestment leading to substantial reduction of government shareholding (current 66.13%) could lead to higher float/liquidity and pressure on stock prices.



Company Profile:

Coal India Ltd. (CIL) is largest producer of Coal in India and it is second largest producer in the world. CIL is engaged in the production and sale of coal. The company's products including coking coal, semi-coking coal, non-coking coal and washed coal. The company operates through 84 mining areas across eight states and contributes to 82% of India's coal production. CIL was incorporated in 1973 as Coal Mines Authority Ltd after the nationalisation of the coal sector.

The company has eight wholly owned Indian subsidiaries: Bharat Coking Coal Ltd, Central Coalfields Ltd, Eastern Coalfields Ltd, Western Coalfields Ltd, Northern Coalfields Ltd, Mahanadi Coalfields Ltd, South Eastern Coalfields Ltd, and Coal Mines Planning and Development Institute Ltd. It has a wholly owned subsidiary in Mozambique, Coal India Africana Ltd. Coal India unit, the Mahanadi Coalfields Ltd (MCL) has become the largest coal-producing company in the country. The company has crossed 622.6 million tons in coal production in the FY22. And, the company produced 551.1 million tons in April-22 to Jan-2023 and dispatched over 572.9 MT over the same period.

Subsidiaries

Rs in Cr	Holding - %	Sales Turnover		Profit After Tax		Country
		FY22	FY21	FY22	FY21	
Eastern Coalfields Ltd	100	14453.65	14821.26	-1060.66	-759.6	India
Mahanadi Coalfields Ltd	100	30557.39	23619.94	1606.92	6869.7	India
Central Coalfields Ltd	100	18585.25	15900.51	1698.94	1222.6	India
Central Mine Planning & Design Institute Ltd	100	1426.33	1753.79	282.12	317.0	India
Western Coalfields Ltd	100	18600.34	13410.72	942.41	234.3	India
Bharat Coking Coal Ltd	100	12867.34	8521.62	111.62	-1202.5	India
Coal India Africana Ltda*MZN (Lac)	100	0	0	-383	-16.2	Mozambique
Northern Coalfields Ltd	100	27664.41	23822.9	4857.05	4398.4	India
South Eastern Coalfields Ltd	100	29937.89	26639.62	1606.92	1447.5	India

Operational Performance

Coal Production-Source

MT	FY13	FY14	FY15	FY16	FY17	FY18	FY19	FY20	FY21	FY22
Underground	37.78	36.11	35.04	33.79	31.48	30.54	30.48	30.04	26.45	25.62
Opencast	414.44	426.31	459.20	504.97	522.66	536.82	576.40	572.10	569.77	597.01
Actual	452.2	462.4	494.2	538.8	554.1	567.4	606.9	602.1	596.2	622.63
Coal Production-Source (%)										
Underground	8.4	7.8	7.1	6.3	5.7	5.4	5.0	5.0	4.4	4.1
Opencast	91.6	92.2	92.9	93.7	94.3	94.6	95.0	95.0	95.6	95.9



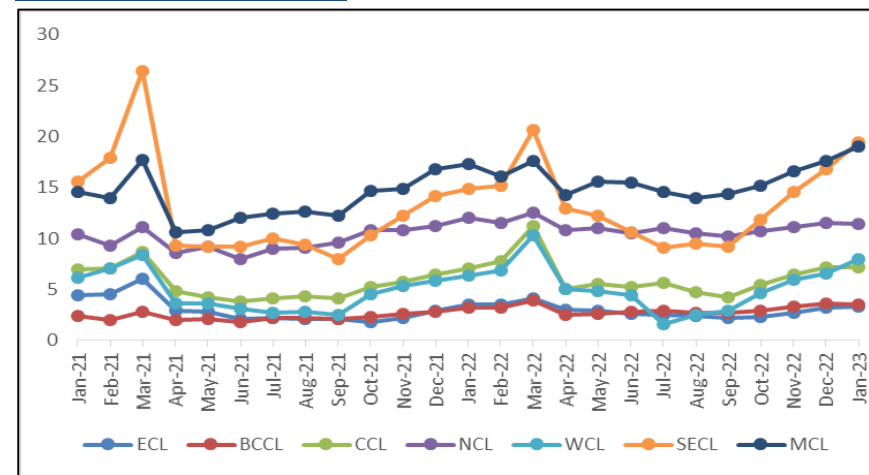
Production-Grades

MT	FY16	FY17	FY18	FY19	FY20	FY21	FY22
Non Coking Coal	484.93	499.49	534.09	572.75	555.70	557.38	576.03
Coking Coal	53.83	54.65	33.28	34.14	46.44	38.84	46.6
Actual	538.76	554.14	567.37	606.89	602.14	596.22	622.63
Production-Category (%)							
Non Coking Coal	90.0	90.1	94.1	94.4	92.3	93.5	92.5
Coking Coal	10.0	9.9	5.9	5.6	7.7	6.5	7.5

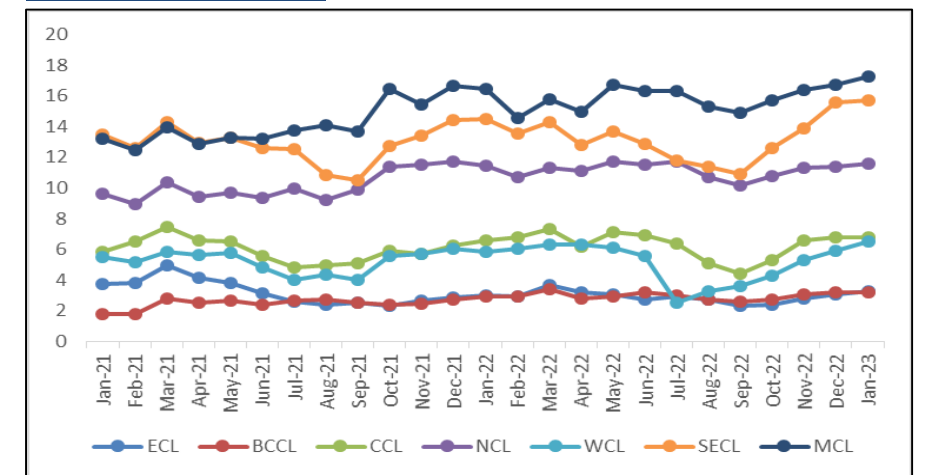
Offtake/Dispatch

MT	FY13	FY14	FY15	FY16	FY17	FY18	FY19	FY20	FY21	FY22
Power	345.3	354.6	385.9	407.6	426.3	453.5	491.2	465.7	445.0	540.6
Steel/Hard Coke	8.0	6.8	7.0	7.7	6.8	5.8	5.4	5.4	5.7	6.9
Others	111.8	110.2	96.5	119.2	110.3	121.0	111.5	110.9	123.8	114.4
Total	465.2	471.6	489.4	534.5	543.3	580.3	608.1	581.9	574.5	661.9
Offtake/Dispatch-%										
Power	74.2	75.2	78.8	76.3	78.5	78.1	80.8	80.0	77.5	81.7
Steel/Hard Coke	1.7	1.4	1.4	1.4	1.2	1.0	0.9	0.9	1.0	1
Others	24.0	23.4	19.7	22.3	20.3	20.8	18.3	19.0	21.6	17.3

Monthly Production(MT)



Monthly Dispatch(MT)



(Source: Company, HDFC sec)

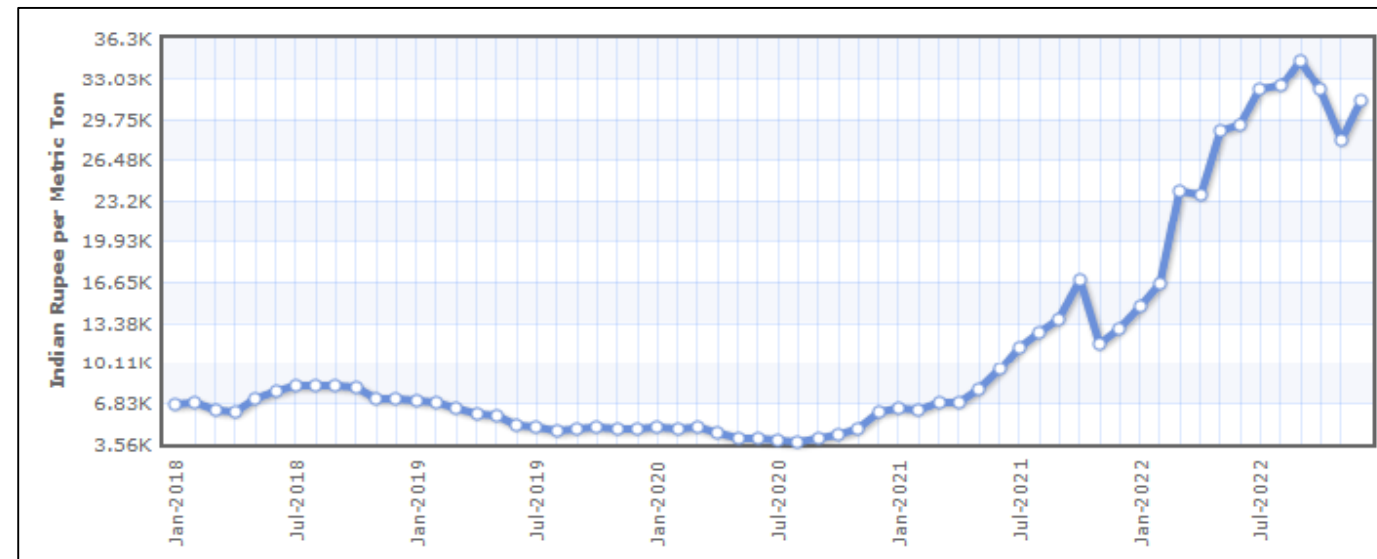


Revenue Estimates

Particulars	FY19	FY20	FY21	FY22	FY23E	FY24E	FY25E
Production (MT)	607	602	596	623	693	738	769
Sales (MT)	608	582	574	662	679	709	746
Despatch-%		96.6	96.4	106.3	98.0	96.0	97.0
Sales(Cr)							
Power FSA	64083	62431	58446	72689	80488	82764	89317
Non Power FSA	12479	14282	11901	10743	15912	17098	18452
e-auction	22986	19367	19679	26282	27428	33132	35755
Total	99547	96080	90026	109714	123828	132994	143524
% of Sales							
Power FSA	64.4	65.0	64.9	66.3	65.0	62.2	62.2
Non Power FSA	12.5	14.9	13.2	9.8	12.9	12.9	12.9
e-auction	23.1	20.2	21.9	24.0	22.2	24.9	24.9
Revenue/Ton							
Revenue/Ton (Rs)	1636.9	1651.1	1567.1	1657.6	1823.3	1878.0	1925.0

(Source: Company, HDFC sec)

Coal, Australian thermal coal Monthly Price - Indian Rupee per Metric Ton



(Source: Index mundi, HDFC sec)



Financials (Consolidated)

Income Statement

(Rs Cr)	FY21	FY22	FY23E	FY24E	FY25E
Net Revenues	90026	109714	133734	143440	154509
Growth (%)	-6.3	21.9	21.9	7.3	7.7
Operating Expenses	71396	85023	92811	106002	113410
EBITDA	18630	24691	40923	37438	41099
Growth (%)	-15.0	32.5	65.7	-8.5	9.8
EBITDA Margin (%)	20.7	22.5	30.6	26.1	26.6
Depreciation	3718	4429	4408	4924	5401
EBIT	14912	20262	36514	32514	35699
Other Income	3743	3905	5751	5020	5022
Interest expenses	642	541	675	639	614
PBT	18012	23625	41589	36895	40107
Tax	5307	6238	10647	9298	10107
RPAT	12705	17387	30942	27598	30000
APAT	12703	17367	30937	27592	29994
Growth (%)	-24.0	36.7	78.1	-10.8	8.7
EPS	20.6	28.2	50.2	44.8	48.7

Balance Sheet

As at March	FY21	FY22	FY23E	FY24E	FY25E
SOURCE OF FUNDS					
Share Capital	6163	6163	6163	6163	6163
Reserves	30355	36980	44652	49165	58006
Shareholders' Funds	36517	43143	50814	55328	64169
Long Term Debt	2688	3302	3852	3752	3602
Net Deferred Taxes	-3337	-3327	-3035	-2766	-2460
Long Term Provisions & Others	70817	74911	75509	74083	73891
Minority Interest	441	674	680	685	691
Total Source of Funds	107127	118703	127820	131083	139893
APPLICATION OF FUNDS					
Net Block & Goodwill	52895	59574	69768	74776	78975
Other Non-Current Assets	20065	23688	20734	18500	16401
Total Non Current Assets	72960	83262	90502	93276	95377
Inventories	8947	7076	10259	10218	11429
Trade Receivables	19623	11368	17587	18470	20319
Cash & Equivalents	20943	36459	40228	44123	44991
Other Current Assets	35240	37941	32250	27412	26042
Total Current Assets	84753	92843	100324	100224	102781
Short-Term Borrowings	3195	8	8	8	8
Trade Payables	8473	8592	10992	11790	12699
Other Current Liab & Provisions	38919	48803	52006	50619	45558
Total Current Liabilities	50587	57403	63006	62417	58265
Net Current Assets	34166	35440	37318	37807	44516
Total Application of Funds	107127	118703	127820	131083	139893

(Source: Company, HDFC sec)



Cash Flow Statement

(Rs Cr)	FY21	FY22	FY23E	FY24E	FY25E
Reported PBT	18,009	23,616	41,589	36,895	40,107
Non-operating & EO items	-479	1,337	-5,751	-5,020	-5,022
Interest Expenses	642	541	675	639	614
Depreciation	3,718	4,429	4,408	4,924	5,401
Working Capital Change	-5,872	17,448	5,736	4,484	-3,630
Tax Paid	-5,426	-6,284	-10,647	-9,298	-10,107
OPERATING CASH FLOW (a)	10,592	41,088	36,011	32,625	27,363
Capex	-10,852	-11,996	-12,750	-11,500	-10,000
Free Cash Flow	-260	29,092	23,261	21,125	17,363
Investments	8,818	-15,603	414	372	335
Non-operating income	2,216	1,117	5,751	5,020	5,022
INVESTING CASH FLOW (b)	182	-26,481	-6,586	-6,107	-4,643
Debt Issuance / (Repaid)	-551	-2,573	-8,342	-6,576	-4,599
Interest Expenses	-642	-541	-675	-639	-614
FCFE	-1,453	25,977	14,244	13,909	12,150
Share Capital Issuance	0	0	0	0	0
Dividend	-7,260	-10,327	-16,639	-15,407	-16,639
FINANCING CASH FLOW (c)	-8,453	-13,441	-25,656	-22,622	-21,852
NET CASH FLOW (a+b+c)	2,321	1,165	3,769	3,895	867

Key Ratios

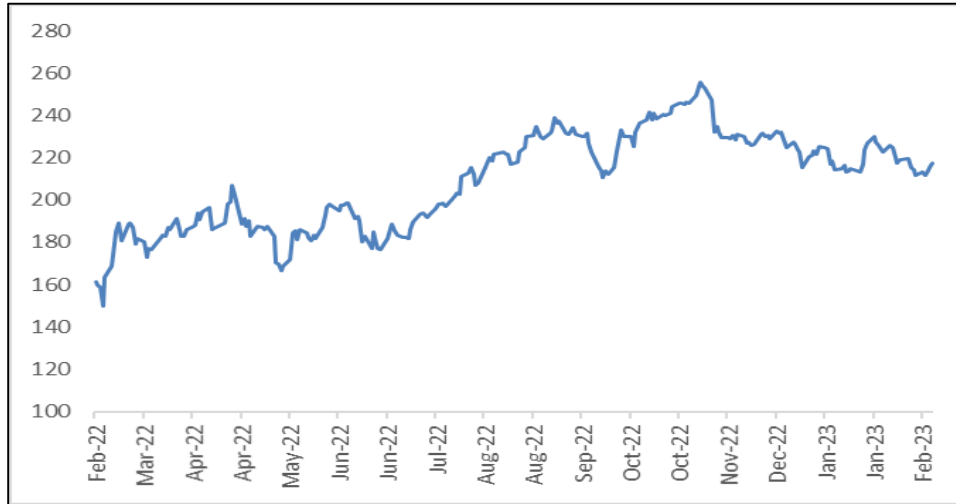
Particulars	FY21	FY22	FY23E	FY24E	FY25E
Profitability Ratio (%)					
EBITDA Margin	20.7	22.5	30.6	26.1	26.6
EBIT Margin	16.6	18.5	27.3	22.7	23.1
APAT Margin	14.1	15.8	23.1	19.2	19.4
RoE	37.0	43.6	65.9	52.0	50.2
RoCE	32.5	40.0	62.2	49.4	48.0
Solvency Ratio (x)					
Debt/EBITDA	0.3	0.1	0.1	0.1	0.1
D/E	0.2	0.1	0.1	0.1	0.1
PER SHARE DATA (Rs)					
EPS	20.6	28.2	50.2	44.8	48.7
CEPS	26.6	35.4	57.4	52.8	57.4
BV	59.3	70.0	82.5	89.8	104.1
Dividend	16.0	17.0	27.0	25.0	27.0
Turnover Ratios (days)					
Debtor days	79.6	37.8	48.0	47.0	48.0
Inventory days	36.3	23.5	28.0	26.0	27.0
Creditors days	34.4	28.6	30.0	30.0	30.0
VALUATION (x)					
P/E	10.6	7.7	4.3	4.9	4.5
P/BV	3.7	3.1	2.6	2.4	2.1
EV/EBITDA	6.6	4.4	2.6	2.7	2.4
EV / Revenues	1.4	1.0	0.8	0.7	0.6
Dividend Yield (%)	7.4	7.8	12.4	11.5	12.4
Dividend Payout (%)	77.6	60.4	53.8	55.8	55.5

(Source: Company, HDFC sec)



Coal India Ltd.

One Year Price Chart



HDFC Sec Retail Research Rating description

Green Rating stocks

This rating is given to stocks that represent large and established business having track record of decades and good reputation in the industry. They are industry leaders or have significant market share. They have multiple streams of cash flows and/or strong balance sheet to withstand downturn in economic cycle. These stocks offer moderate returns and at the same time are unlikely to suffer severe drawdown in their stock prices. These stocks can be kept as a part of long term portfolio holding, if so desired. These stocks offer low risk and lower reward and are suitable for beginners. They offer stability to the portfolio.

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This rating is given to stocks that have strong balance sheet and are from relatively stable industries which are likely to remain relevant for long time and unlikely to be affected much by economic or technological disruptions. These stocks have emerged stronger over time but are yet to reach the level of green rating stocks. They offer medium risk, medium return opportunities. Some of these have the potential to attain green rating over time.

Red Rating stocks

This rating is given to emerging companies which are riskier than their established peers. Their share price tends to be volatile though they offer high growth potential. They are susceptible to severe downturn in their industry or in overall economy. Management of these companies need to prove their mettle in handling cyclicity of their business. If they are successful in navigating challenges, the market rewards their shareholders with handsome gains; otherwise their stock prices can take a severe beating. Overall these stocks offer high risk high return opportunities.



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