

Coal India Limited

Industry Mining
Bloomberg COALIN
BSE CODE 533278

Strong performance on the back of higher realisation both in FSA and e-auction....

3QFY19 Result Update

- Revenue was at Rs.25046cr (up 15.4% YoY and 14.4% QoQ) on account of higher realisation in both FSA and e-auction.
- FSA realisation stood at Rs.1334/t (up 13% YoY and 2% QoQ) and e-auction realisation came in at Rs.2847/t (up 42% YoY and 10% QoQ). Total off take volume was at 154mt (up 2% YoY and 12% QoQ), FSA volume stood at 136mt (up 11% YoY and 16% QoQ) and e-auction volume was at 15mt (down 44% YoY and 17% QoQ).
- EBITDA came in at Rs.6788cr (up 55% YoY and 57% QoQ) on the back of higher realisation, lower overall cost at 73% of sales (vs.78% in 3QFY18 and 80% in 2QFY19) and change in accounting of provision also helped.
- PAT for the quarter came in at Rs.4567cr (up 50% YoY and 48% QoQ).
- Company is now reporting provision on net basis as compare to gross in 2QFY19, the decrease in provision is offset by decrease with the related other income, the other income is lower to similar extent. The same was PAT neutral so does not impact PAT.
- Company recently announced a buyback of equity shares of Rs.10 each of up to 4.46cr shares (representing 0.72% of the total number of equity shares) at a price of Rs.235; record date is 15th Feb'19.

View and Valuation

Coal India delivered strong set of numbers with revenue at Rs.25046cr (up 15% YoY and 14% QoQ) on the back of significantly higher e-auction realisation at Rs.2847/t (up 42% YoY and 10% QoQ) and strong FSA realisation at Rs.1334/t (up 13% YoY and 2% QoQ). Off take volume came in at 153.8mt (up 1% YoY and 12% QoQ). Share of FSA increased to 88% of total off take in 3QFY19 (vs.80% in 3QFY18 and 85% in 2QFY19) and e-auction share fell to 10% (vs.17% in 3QFY18 and 13% in 2QFY19) but was better than expected. Coal dispatch to power sector increased to 126mt (up 3% YoY, 14% QoQ), however better than expected e-auction volume as well as realisation helped the company to robust performance. Going ahead we believe company will post strong set of number in 4QFY19 as well, driven by strong realization in both FSA and e-auction. Furthermore, improvement in coal inventory level at power plants from 6 days at the end of Oct'18 to 12 days in Jan'19 would leave more room for improving e-auction volume. Our Revenue/PAT estimates stand increased by 3%/7% for FY19 primarily on account of robust performance in 3QFY19 and we maintain our FY20 estimates. However, slowdown in volume from major subsidiary like SECL and MCL is a concern. We expect Volume/Revenue/PAT CAGR of 5%/8%/19% over FY18-20e. The stock looks attractive at current valuation of 4.7x FY20e EV/EBITDA and we value it at **7x FY20e EV/EBITDA with an unchanged target price of Rs.309 and maintain BUY.**

Key Risks to our rating and target

- Sharp fall in international thermal coal prices.
- Lower than expected volume growth.

KEY FINANCIAL/VALUATIONS	FY16	FY17	FY18	FY19E	FY20E
Net Sales	78008	78221	85926	97872	99908
EBITDA	18711	12240	9629	23089	23048
Adj.PAT	14267	9266	11152	16267	15776
EPS (Rs)	23	15	11	26	25
EPS growth (%)	4%	-34%	-24%	130%	-3%
ROE (%)	41%	37%	55%	75%	73%
ROCE (%)	45%	37%	31%	87%	83%
BV	55	40	33	35	35
P/B (X)	6	7	9	6	9
P/E (x)	14	20	25	8	12

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3QFY19 Results

E-auction share in volume declined to 10%, FSA goes up to 88%....

Consolidated

Financials	3QFY18	4QFY18	1QFY19	2QFY19	3QFY19	YoY %	QoQ%	FY17	FY18	YoY %
Net Sales	21,707	26,909	24,261	21,884	25,046	15.4%	14.4%	78,221	85,926	9.9%
Other Income	1,114	2,000	2,262	1,608	1,163	4.4%	-27.7%	5,516	4,658	-16%
COGS	2,288	770	2,737	2,994	1,936	-15.4%	-35.3%	5,725	8,509	48.6%
Staff Cost	8,744	16,654	9,598	8,953	9,518	8.8%	6.3%	33,514	42,634	27.2%
Power and Fuel	607	631	594	638	606	-0.1%	-5.0%	2,558	2,516	-1.6%
Contract. Exp	3,212	3,895	3,176	2,736	3,628	12.9%	32.6%	12,304	12,767	3.8%
Other Exp	996	1,261	1,110	1,057	1,057	6.1%	0.0%	5,359	4,215	-21.3%
Stripping Act	923	2,485	883	802	1,178	28%	46.8%	2,672	3,358	25.7%
Total Exp	17,329	26,713	19,581	17,567	18,258	5.4%	3.9%	65,981	76,297	15.6%
EBITDA	4,378	196	4,680	4,317	6,788	55.0%	57.2%	12,240	9,629	-21.3%
Depreciation	748	931	745	807	861	15.2%	6.7%	2,910	3,066	5.4%
EBIT	3,631	(735)	3,935	3,510	5,927	63%	68.8%	9,330	6,562	-29.7%
PBT	4,648	1,153	6,087	5,118	7,028	51.2%	37.3%	14,434	10,789	-25.3%
Tax	1,605	(142)	2,303	2,032	2,462	53.4%	21.2%	5,166	3,707	-28.2%
PAT	3,042	1,296	3,786	3,085	4,567	50.1%	48.0%	9,266	7,083	-23.6%
Adj.PAT	3,110	5,428	3,786	3,085	4,567	46.8%	48.0%	9,266	11,152	20.4%

Operating Matrix

FSA	3QFY17	4QFY17	1QFY18	2QFY18	3QFY18	4QFY18	1QFY19	2QFY19	3QFY19	YoY %
Quantity (mt)	113	116	107	105	122	126	130	117	136	11.4%
Sales (Rs.cr)	14544	15996	12870	12802	14400	17736	17116	15284	18125	25.9%
Realzt. (Rs./t)	1289	1376	1201	1224	1182	1403	1313	1308	1334	12.9%
E-Auction	3QFY17	4QFY17	1QFY18	2QFY18	3QFY18	4QFY18	1QFY19	2QFY19	3QFY19	YoY %
Quantity (mt)	25	30	27	23	26	29	19	18	15	-44.4%
Sales (Rs.cr)	3939	4756	4325	3757	5268	6181	4657	4583	4171	-20.8%
Realzt. (Rs./t)	1564	1611	1586	1614	1998	2112	2399	2592	2847	42.5%

E-auction share declined further due to higher deliveries through FSA

Share of E-Auction volume declined further to 10% (vs. 17% in 3QFY18 and 13% in 2QFY19) and volume was at 14.65mt (down 44% YoY and 17% QoQ) on account of higher deliveries through FSA to coal starved power plants. FSA share in the quarter increased to 88% of total off take volume (vs.80% in 3QFY18 and 85% in 2QFY19). Coal stock at some power plants had reduced to 6 days in Oct'18, which now is much better with Jan'19 end inventory level of around 12 days. Improvement in coal inventory level at these plants leaves more room open for increasing e-auction volume in 4QFY19. Dispatches to power sector increased to 126mt (up 3% YoY and 14% QoQ).

Realisations continue to remain robust

Realisation both in FSA and e-auction were strong at Rs.1334/t (up 13% YoY and 2% QoQ) in FSA and at Rs.2847/t (up 42% YoY, 10% QoQ). Continued coal scarcity in both power and non-power sector helped in sustaining the already high realization. Furthermore, price hike taken in Jan'18 has also helped in keeping the realisation on higher side. Going ahead realisation are expected to remain strong on the back strong demand for coal in domestic market and Dec'19 spot e-auction premium was still on higher side at 131% over notified price. However, international coal price have moderated slightly from the 2QFY19 level.

Volume de-growth at SECL and MCL in recent months

Volume at two of the major subsidiary SECL and MCL contributing the major portion of the overall volume have seen volume de-growth in Nov'18-Jan'19 period. SECL production volume for month of Nov'18, Dec'18 and Jan'19 was at 13.20mt (down 1% YoY), 12.52mt (down 13%YoY) and 13.58mt (down 4%) respectively. MCL's volume have also been on declining trend in the same period with production volume at 12.37mt (down 4% YoY), 13.05mt (down 3% YoY) and 13.23mt (down 10% YoY). The same impacted the overall volume growth with overall production volume for Nov'18 at 52.09mt (up 2% YoY), Dec'18 volume at 54.14mt (down 1% YoY) and Jan'19 at 57.25mt (up 1%YoY).

Other Updates- Company's board recently approved buy back of equity shares of Rs.10 each of up to 4.46cr shares (representing 0.72% of the total number of equity shares) at a price of Rs.235, record date is 15th Feb'19.

Exhibit: Monthly Coal Production Trend

steady MoM pick up in volume, however YoY growth in Dec'18 and Jan'19 has been muted....

Monthly Production (mt)

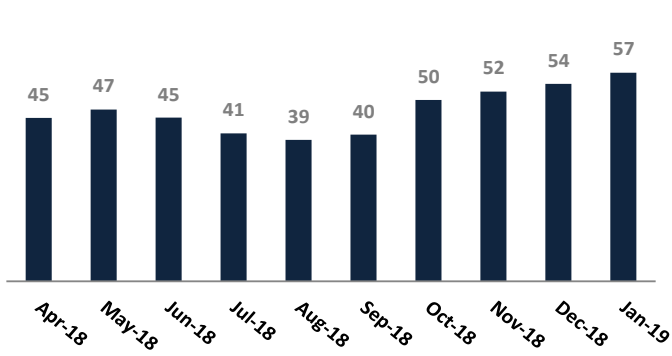


Exhibit: Monthly Coal Offtake Trend

pickup in off take volume slower than pickup in production volume....

Monthly Off take (mt)

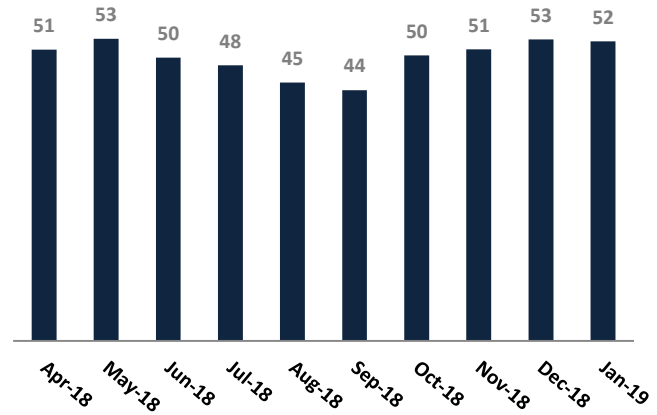


Exhibit: Dispatches to Power Sector Trend

dispatches to power sector increased in 3QFY19 owing to coal inventory hitting low of 6 days at power plant....

Monthly Dispatches to Power Sector (mt)

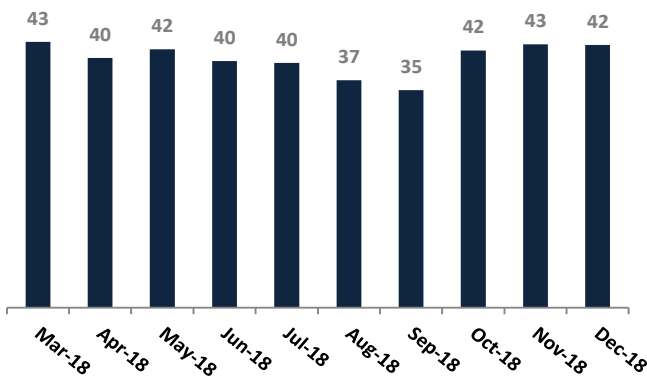


Exhibit: Coal Inventory at Power Plants

coal inventory improved significantly from the low of 6 days to 12 days at the end of Jan'19....

Coal Inventory at Power Plants (Days)

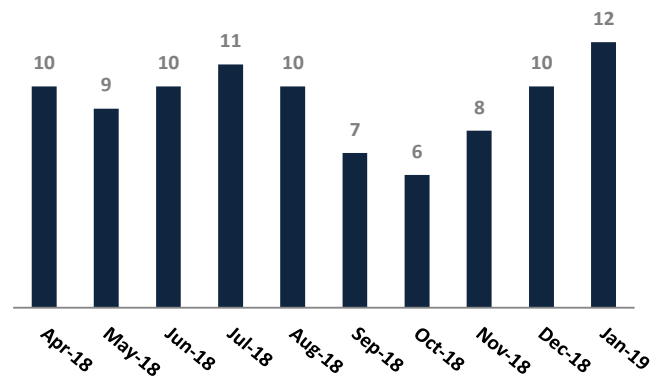


Exhibit: FSA Volume and Realisation Trend

FSA increased owing to coal shortage at power plants and realisation increased 13% YoY and 2% QoQ....

FSA (mt) Realisation (Rs/t)

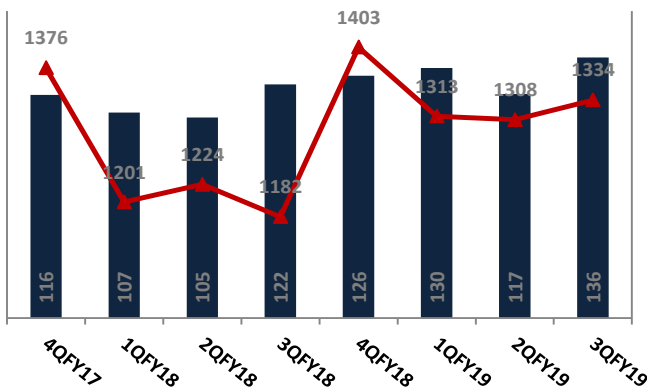


Exhibit: E-Auction Volume and Realisation Trend

shortage of spot coal driving e-auction realisation high....

E-Auction (mt) Realisation (Rs/t)

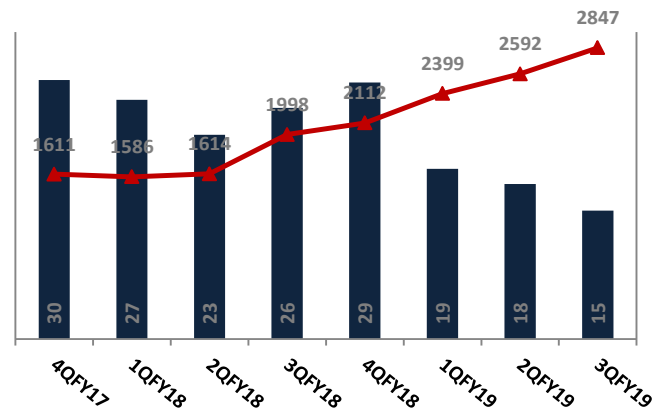


Exhibit: Quarterly Coal Production Trend

volume picked up post monsoon....

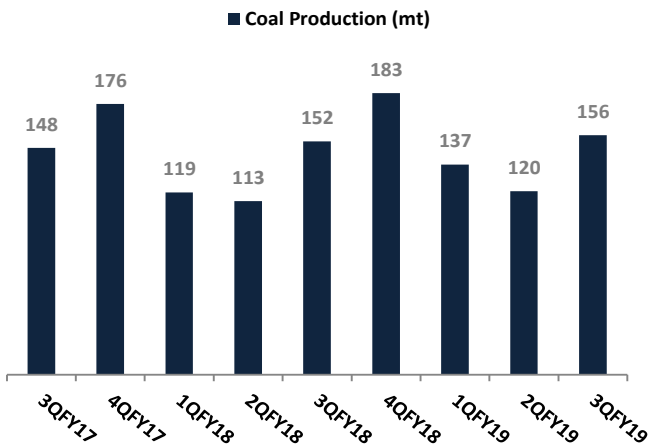


Exhibit: Quarterly Coal Offtake Trend

off take YoY volume growth slower than production growth....

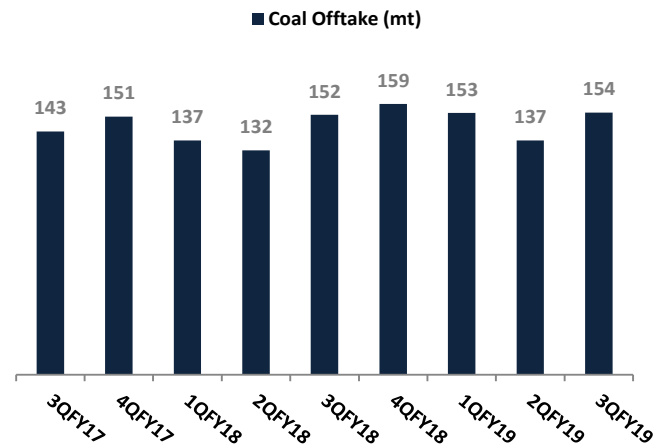


Exhibit: Net sales and Blended Realisation Trend

blended realization increased on account of robust e-auction and FSA realisation....

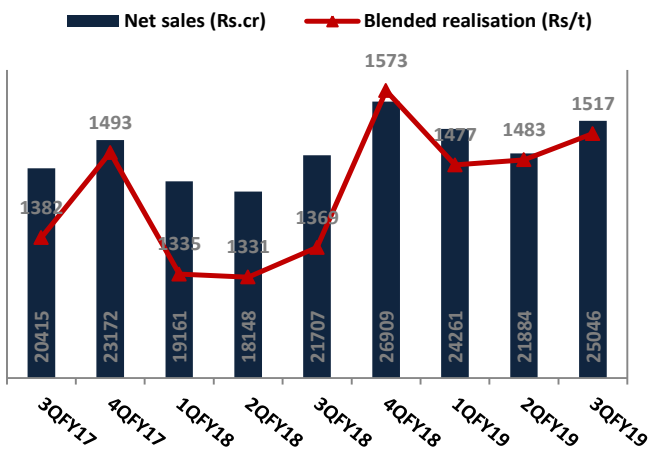


Exhibit: EBITDA and EBITDA Margin Trend

EBITDA margin higher owing to strong performance and provision adjustment....

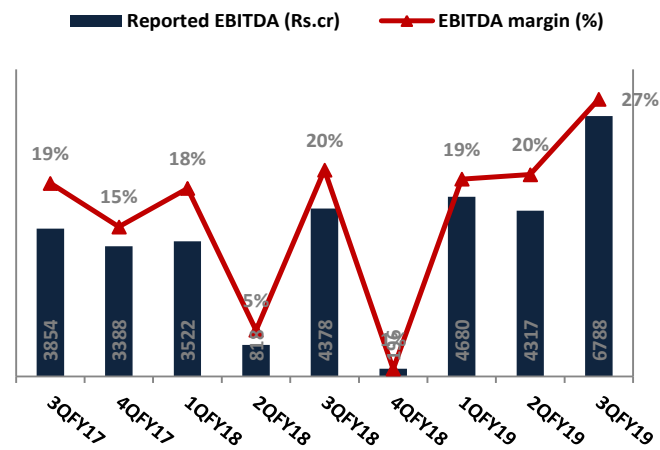


Exhibit: PAT and PAT Margin Trend

PAT margin in line with EBITDA margin trend....

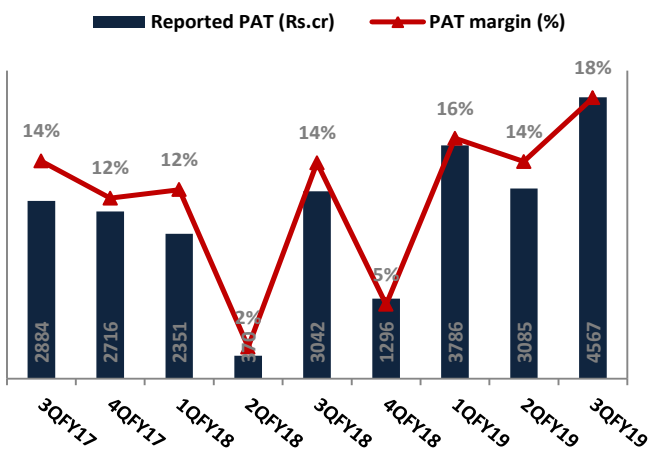
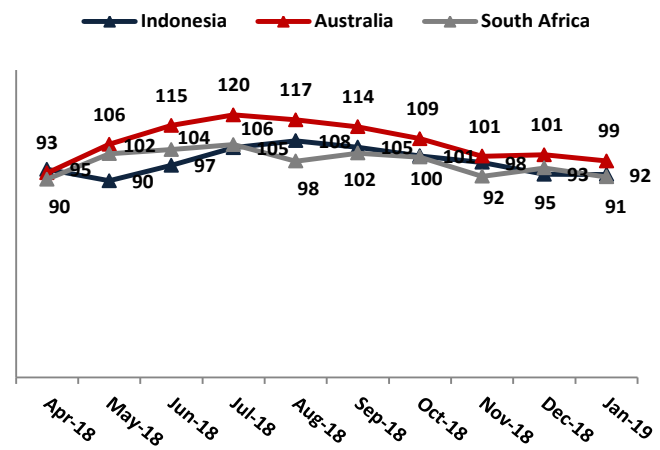


Exhibit: International Coal Price Trend

international coal prices off the high level....



Financial Details

Balance Sheet

Y/E March	FY13	FY14	FY15	FY16	FY17	FY18	FY19E	FY20E
Share Capital	6,316	6,316	6,316	6,316	6,207	6,207	6,207	6,207
Reserves	42,156	36,088	34,037	28,517	18,319	13,639	15,019	15,181
Networth	48,472	42,404	40,353	34,833	24,527	19,847	21,226	21,388
Debt	1,078	171	402	1,192	3,008	1,531	1,531	1,531
Other Non Cur Liab	34,282	37,168	41,498	46,273	48,679	55,433	67,376	68,687
Total Capital Employed	49,550	42,576	40,755	36,025	27,535	21,378	22,757	22,919
Net Fixed Assets (incl CWIP)	16,962	19,100	21,274	26,636	32,398	37,864	43,995	44,919
Non Cur Investments	1,400	1,188	963	966	969	1,303	920	920
Other Non Cur Asst	3,511	3,728	4,601	4,017	4,995	8,921	9,267	6,265
Non Curr Assets	21,873	24,016	26,838	40,502	47,816	58,677	74,163	70,354
Inventory	5,618	5,568	6,184	7,569	8,945	6,444	7,340	7,492
Debtors	10,480	8,241	8,522	11,448	10,736	8,689	9,897	10,103
Cash & Bank	62,236	52,390	53,093	38,015	31,230	31,475	24,200	29,650
Other Curr Assets	21,358	14,028	15,905	15,295	17,352	22,206	25,278	25,799
Curr Assets	99,692	80,227	83,703	72,327	68,263	68,814	66,715	73,045
Creditors	837	805	921	3,297	3,900	4,517	5,145	5,252
Provisions (both)	51,591	39,191	44,204	49,591	53,203	64,717	66,782	68,172
Other Curr Liab	-	-	-	3,988	4,557	5,416	6,168	6,297
Curr Liabilities	37,670	24,435	28,223	30,425	39,519	50,319	50,383	51,431
Net Curr Assets	62,022	55,792	55,481	41,901	28,744	18,496	16,332	21,614
Total Assets	121,565	104,242	110,541	112,828	116,079	127,492	140,878	143,399

Income Statement

Y/E March	FY13	FY14	FY15	FY16	FY17	FY18	FY19E	FY20E
Revenue from Operation	68,303	68,810	74,120	78,008	78,221	85,926	97,872	99,908
Change (%)	9%	1%	8%	5%	0%	10%	14%	2%
Other Income	8,747	8,969	6,571	5,941	5,516	4,658	6,222	5,546
EBITDA	18,084	15,963	17,335	18,711	12,240	9,629	23,089	23,048
Change (%)	15%	-12%	9%	8%	-35%	-21%	140%	0%
Margin (%)	26%	23%	23%	24%	16%	11%	24%	23%
Depr & Amor.	1,813	1,996	2,320	2,826	2,910	3,066	3,369	4,076
EBIT	16,271	13,967	15,016	15,885	9,330	6,562	19,720	18,972
Int. & other fin. Cost	45	58	7	386	412	432	446	461
EBT	24,973	22,878	21,579	21,440	14,434	10,789	25,495	24,057
Exp Item	-	-	-	-	-	-	-	-
Tax	7,623	7,768	7,857	7,172	5,166	3,707	9,230	8,281
Minority Int & P/L share of Ass.	-	-	-	(1)	(2)	0	2	-
Reported PAT	17,357	15,112	13,727	14,267	9,266	7,083	16,267	15,776
Adjusted PAT	17,357	15,112	13,727	14,267	9,266	11,152	16,267	15,776
Change (%)	17%	-13%	-9%	4%	-35%	-24%	130%	-3%
Margin(%)	25%	22%	19%	18%	12%	13%	17%	16%

Financial Details

Key Ratios

Y/E March	FY13	FY14	FY15	FY16	FY17	FY18	FY19E	FY20E
ROE	36%	36%	34%	0.41	37%	55%	75%	73%
ROCE	33%	33%	37%	45%	37%	31%	87%	83%
Asset Turnover	0.56	0.66	0.67	0.69	0.67	0.67	0.69	0.70
Debtor Days	56	44	42	54	50	37	37	37
Inv Days	30	30	30	35	42	27	27	27
Payable Days	4	4	5	15	18	19	19	19
Int Coverage	360	241	2,051	41	23	15	44	41
P/E	12.6	14.2	15.3	14.4	19.6	24.8	8.4	12.2
Price / Book Value	4.5	5.0	5.2	5.9	7.3	8.7	6.3	8.8
EV/EBITDA	8.7	10.1	9.0	8.9	12.3	15.1	4.9	7.1
FCF per Share	10.5	16.5	15.0	11.7	11.6	20.5	12.4	34.7
Div Yield	3%	10%	6%	8%	7%	6%	9%	7%

Cash Flow Statement

Y/E March	FY13	FY14	FY15	FY16	FY17	FY18	FY19E	FY20E
PBT	24,979	22,880	21,584	21,439	14,432	11,004	25,495	24,057
<i>(inc)/Dec in Working Capital</i>	(6,839)	244	649	(2,670)	6,022	13,845	(2,906)	6,211
<i>Non Cash Op Exp</i>	(379)	227	1,721	2,260	4,336	3,846	3,815	4,537
<i>Int Paid (+)</i>	45	58	7	21	31	37	446	461
<i>Tax Paid</i>	(8,652)	(8,826)	(9,572)	(7,875)	(8,943)	(7,433)	(9,230)	(8,281)
<i>others</i>								
CF from Op. Activities	9,109	14,525	14,382	13,154	15,847	21,262	17,175	26,525
<i>(inc)/Dec in FA & CWIP</i>	(2,454)	(4,116)	(4,901)	(5,786)	(8,676)	(8,529)	(9,501)	(5,000)
<i>Free Cashflow</i>	6,655	10,408	9,480	7,368	7,171	12,733	7,674	21,525
<i>(Pur)/Sale of Inv</i>	(5,022)	6,221	509	8,905	5,667	(1,551)	383	-
<i>others</i>								
CF from Inv. Activities	(1,833)	8,580	894	8,154	455	(7,676)	(9,118)	(5,000)
<i>inc/(dec) in NW</i>	-	-	-	-	(3,650)	-	-	-
<i>inc/(dec) in Debt</i>	(229)	(1,263)	193	990	1,817	(1,478)	-	-
<i>Int. Paid</i>	(45)	(58)	(7)	(21)	(31)	(37)	(446)	(461)
<i>Div Paid (inc tax)</i>	(7,907)	(24,243)	(15,596)	(20,830)	(15,103)	(12,324)	(14,888)	(15,614)
<i>others</i>								
CF from Fin. Activities	(7,852)	(25,350)	(15,026)	(19,587)	(17,598)	(13,587)	(15,334)	(16,075)
<i>Inc(Dec) in Cash</i>	(575)	(2,246)	250	1,721	(1,296)	(1)	(7,277)	5,450
<i>Add: Opening Balance</i>	12,260	11,685	9,439	3,156	4,876	4,194	31,475	24,200
Closing Balance	11,685	9,439	9,689	4,876	3,580	4,193	24,198	29,650

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Analyst's ownership of the stocks mentioned in the Report	NIL
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