

Industry  
Bloomberg  
BSE CODE

Mining  
COALIN  
533278

## Strong FSA realization drives performance....

RATING	BUY
CMP	200
Price Target	260
Potential Upside	30%
Rating Change	↔
Estimate Change	↔
Target Change	↓

STOCK INFO	
52wk Range H/L	300/193
Mkt Capital (Rs Cr)	123476
Free float (%)	21%
Avg. Vol 1M (,000)	7545
No. of Shares (Crs)	616
Promoters Pledged %	0%

### 1QFY20 Result Update

- 1QFY20 revenue came in at Rs.24939cr (up 3.6% YoY), primarily on account of 4.3% YoY growth in FSA realization.
- 1QFY20 production volume was at 137.0mt (up 0.1% YoY) with SECL volume at 34.3mt (down 14% YoY) and MCL volume at 34.8mt (up 7.2% YoY).
- Off take volume in the quarter was at 153.24mt (up 0.1% YoY), FSA volume was flat at 130.33mt, E-auction volume at 19.05mt (down 1.9% YoY).
- FSA realization for the quarter was at Rs.1370/t (up 4.3% YoY) and E-auction realization was at Rs.2155/t (down 10.2% YoY). Blended realization for the quarter was at Rs.1515/t (up 3.5% YoY, down 7.2% QoQ).
- EBITDA grew by 17% YoY in the quarter to Rs.6612cr and EBITDA margin was at 26.5% (vs. 23.5% in 1QFY19). Higher EBITDA was primarily on account of higher FSA realization and lower RM cost in the quarter.
- Other income in the quarter was at Rs.1150cr (down 10.7% YoY). Depreciation cost for the quarter was Rs.734cr (down 1.5% YoY).

### View and Valuation

Coal India continues to post strong operational performance on the back of higher FSA realization and flat employee cost as % of sales. Going ahead we expect company to post decent performance on the back of stable volume growth coupled with higher FSA realization and limited increase in employee cost over near to medium term due to NCWA-X. However, E-auction realization is expected to decline from FY19 level considering falling international non-coking coal prices and improving coal inventory at power plants (YTDCY19 average of 16 days vs. 10 days in CY18) leading to better domestic coal supply. We maintain our FY20/21 estimates and value the stock at **Rs.260 (5x FY21e EV/EBITDA) and maintain BUY.**

### Key Risks to our rating and target

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

### RESEARCH ANALYST

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Fig in Rs Cr

KEY FINANCIAL/VALUATIONS	FY17	FY18	FY19	FY20E	FY21E
Net Sales	78221	85926	99547	102239	108270
EBITDA	12240	9629	24977	25332	26092
Adj.PAT	9266	11152	17462	16767	17741
EPS (Rs)	15	11	28	27	29
EPS growth	-34%	-24%	148%	-4%	6%
ROE (%)	37%	35%	65%	55%	50%
ROCE (%)	37%	31%	76%	68%	60%
BV	40	33	44	50	57
P/B (X)	7.3	8.7	5.4	4.0	3.5
P/E (x)	19.6	24.8	8.4	7.4	7.0

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## Lower RM cost and higher FSA realization drives performance....

### 1QFY20 Results Consolidated

Fig in Rs Cr

FINANCIALS	1QFY19	2QFY19	3QFY19	4QFY19	1QFY20	YoY %	QoQ%	FY18	FY19	YoY %
Net Sales	24,071	21,884	25,046	28,546	24,939	3.6%	-12.6%	85,926	99,547	15.9%
Other Income	1,289	1,608	1,163	1,820	1,150	-10.7%	-36.8%	4,658	5,874	26%
COGS	2,737	2,994	1,936	521	2,195	-19.8%	321.5%	8,509	8,188	-3.8%
Staff Cost	9,598	8,953	9,518	10,701	9,896	3.1%	-7.5%	42,634	38,770	-9.1%
Power and Fuel	594	638	606	605	590	-0.7%	-2.5%	2,516	2,443	-2.9%
Contract. Exp	3,176	2,736	3,628	3,839	3,325	4.7%	-13.4%	12,767	13,378	4.8%
Other Exp	1,108	1,057	1,057	1,517	1,096	-1.1%	-27.8%	4,215	4,741	12.5%
Stripping Act	883	802	1,178	2,208	899	2%	-59.3%	3,358	5,071	51.0%
Total Exp	18,417	17,567	18,258	20,334	18,327	-0.5%	-9.9%	76,297	74,570	-2.3%
EBITDA	5,654	4,317	6,788	8,212	6,612	17.0%	-19.5%	9,629	24,977	159.4%
Depreciation	745	807	861	1,037	734	-1.5%	-29.2%	3,066	3,450	12.5%
EBIT	4,909	3,510	5,927	7,175	5,878	-	-18.1%	6,562	21,527	228.0%
PBT	6,087	5,118	7,028	8,893	7,012	15.2%	-21.2%	10,789	27,125	151.4%
Tax	2,303	2,032	2,462	2,866	2,381	-	-16.9%	3,707	9,662	160.7%
PAT	3,786	3,085	4,567	6,024	4,630	22.3%	-23.1%	7,083	17,462	146.6%
Adj.PAT	3,786	3,085	4,567	6,024	4,630	22.3%	-23.1%	11,152	17,462	56.6%

### Operating Matrix

FSA	1QFY18	2QFY18	3QFY18	4QFY18	1QFY19	2QFY19	3QFY19	4QFY19	1QFY20	YoY %
Quantity (mt)	107.1	104.6	121.9	126.4	130.4	116.8	135.8	142.4	130.3	0.0%
Sales (Rs.cr)	12870	12802	14400	17736	17116	15284	18125	20794	17855	4.3%
Realzt. (Rs./t)	1201	1224	1182	1403	1313	1308	1334	1460	1370	4.3%

E-AUCTION	1QFY18	2QFY18	3QFY18	4QFY18	1QFY19	2QFY19	3QFY19	4QFY19	1QFY20	YoY %
Quantity (mt)	27.3	23.3	26.4	29.3	19.4	17.7	14.7	16.7	19.1	-1.9%
Sales (Rs.cr)	4325	3757	5268	6181	4657	4583	4171	4603	4106	-11.8%
Realzt. (Rs./t)	1586	1614	1998	2112	2399	2592	2847	2754	2155	-10.2%

### **Flat production and off take volume in 1QFY20**

Coal India's 1QFY20 production volume stood at 137.0mt (up 0.1% YoY and down 29.31% QoQ), among subsidiaries WCL registered robust growth of 23.4% YoY to 11.9mt followed by 7.2% YoY growth in MCL volume to 34.8mt, NCL volume grew by 6.6% YoY to 26.2mt, SECL registered significant decline in volume at 34.3mt (down 14.0% YoY) along with SECL, BCCL also registered a decline of 15.8% YoY to 6.5mt. Off take volume for the quarter came in at 153.29mt (flat YoY and down 6.2% YoY), SECL off take volume fell by 7.0% YoY to 37.8mt whereas MCL off take increased 6.0% YoY to 37.8mt, BCCL volume declined by 14.8% YoY to 7.7mt, WCL off take grew by 4.3% YoY to 14.2mt and NCL's volume grew by 3.3% to 25.2mt. On monthly basis production and off take volume for Jul'19 was at 38.50mt and 46.83mt respectively. Both of the biggest subsidiaries SECL and MCL registered decline of 12% YoY and 14.1% YoY in production to 10.32mt and 8.73mt and decline of 8.8% YoY and 7.1% YoY in off take to 11.90mt and 10.59mt respectively in Jul'19.

### **FSA volume flat but realization increases**

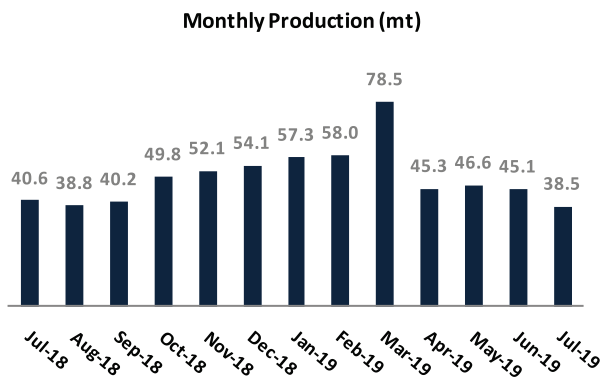
FSA volume for the quarter came in at 130.33mt (flat YoY, down 8.5% QoQ) and realization improved by 4.3% YoY on already high base of Rs.1313/t to Rs.1370/t in the quarter. FSA revenue came in at Rs.17855cr (up 4.3% YoY) leading to overall revenue growth of 3.6% to Rs.24939cr. E-Auction realization saw significant fall in the quarter at Rs.2155/t (down 10.2% YoY and 21.7% QoQ), E-Auction volume for the quarter was at 19.05mt (down 1.9% YoY, up 14.0% QoQ). With improvement in coal stock at power plants the coal availability in the domestic market improved leading to 14% QoQ growth in E-auction volume, furthermore, better availability and falling international coal prices led to the fall in E-Auction realization. Coal dispatches to power sector in the quarter was down first time in last 10 quarters at 120.0mt (down 2% YoY and 6.1% QoQ) and coal inventory at power plants improved to 15 days in Jul'19 (vs. 11 days in Jul'18).

### **E-Auction share improved QoQ but still low**

E-Auction share in overall off take volume was 12.43% for 1QFY20 (vs.12.68% in 1QFY19 and 10.22% in 4QFY19) and FSA share stood at 85.05% (vs. 85.19 in 1QFY19 and 87.14% in 4QFY19). With improvement in coal inventory at power plant evident by fall in dispatches to power sector in the quarter has led to better QoQ E-Auction volume in the quarter. Going ahead E-Auction volume may further improve however realization will remain lower as compare to FY19 levels due to higher availability of coal and lower international prices.

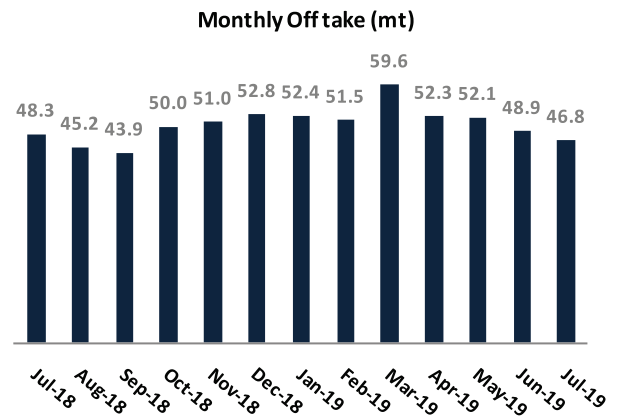
## Exhibit: Monthly Coal Production Trend

Jul'19 volume is down 5.1% YoY (vs. up 11% in Jul'18)....



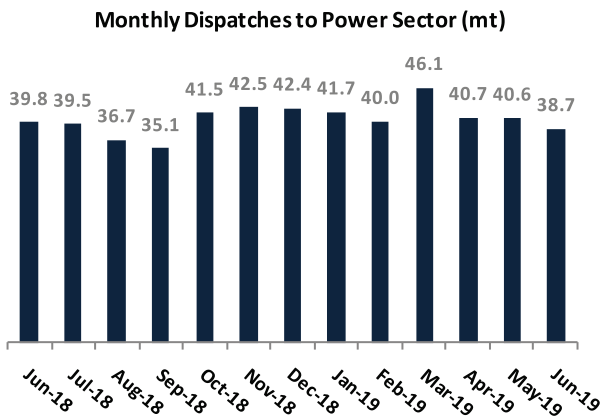
## Exhibit: Monthly Coal Offtake Trend

Off take is down 2.9% in Jul'19 (vs. up 9% in Jul'18)....



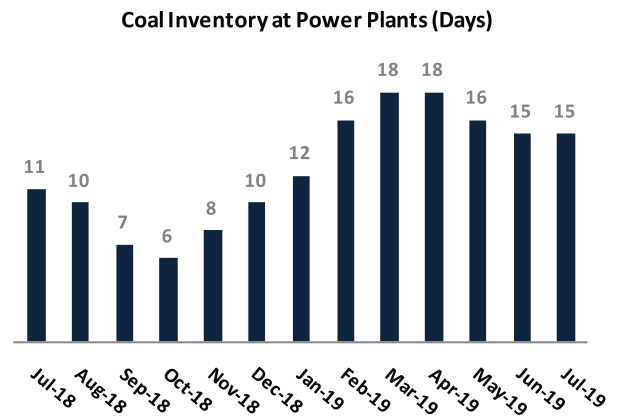
## Exhibit: Dispatches to Power Sector Trend

Dispatches to power continue to remain range bound....



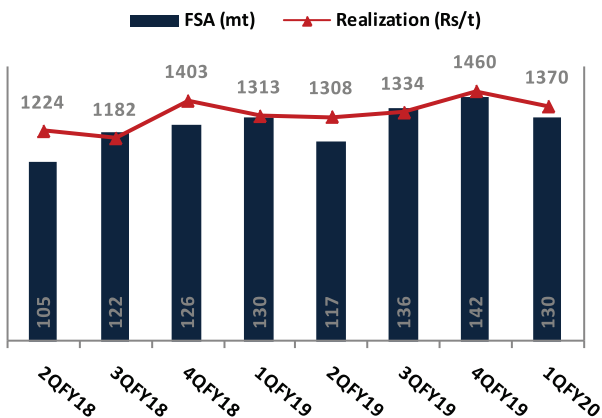
## Exhibit: Coal Inventory at Power Plants

Coal inventory at power plants have improved significantly.....



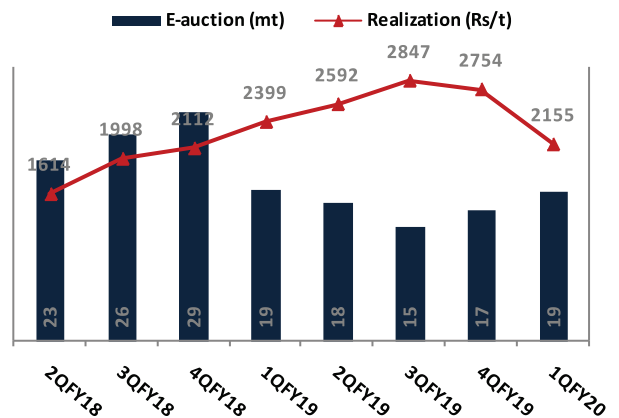
## Exhibit: FSA Volume and Realisation Trend

FS volume remained flat, realization up 4.3% YoY....



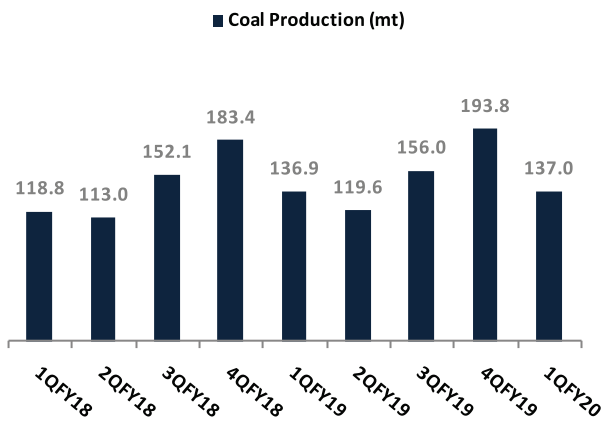
## Exhibit: E-Auction Volume and Realisation Trend

realization down sharply due to falling international coal prices and improving domestic coal supply....



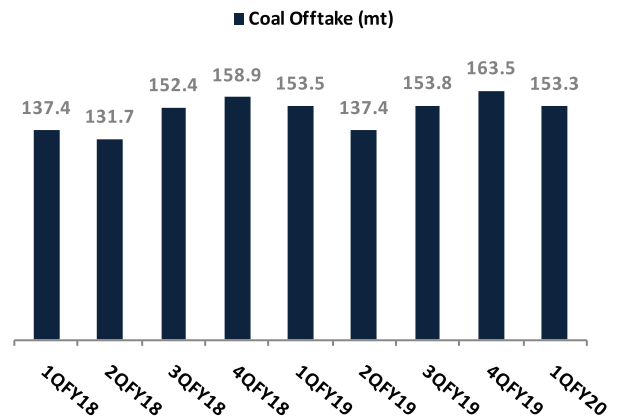
## Exhibit: Quarterly Coal Production Trend

Production volume remained flat YoY....



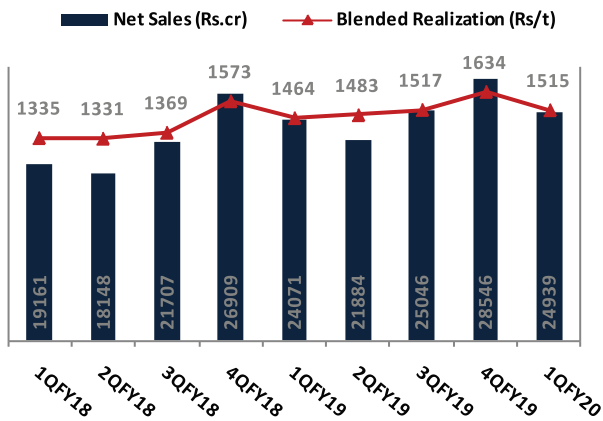
## Exhibit: Quarterly Coal Offtake Trend

Off take volume also remained flat YoY....



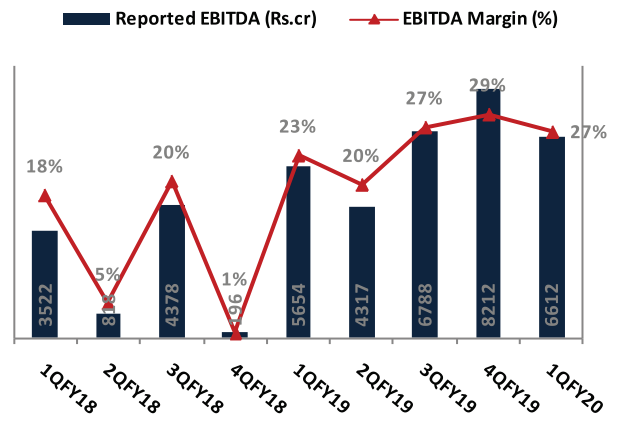
## Exhibit: Net sales and Blended Realisation Trend

Realization was up 3.6% YoY led by 4.3% YoY increase in FSA realization....



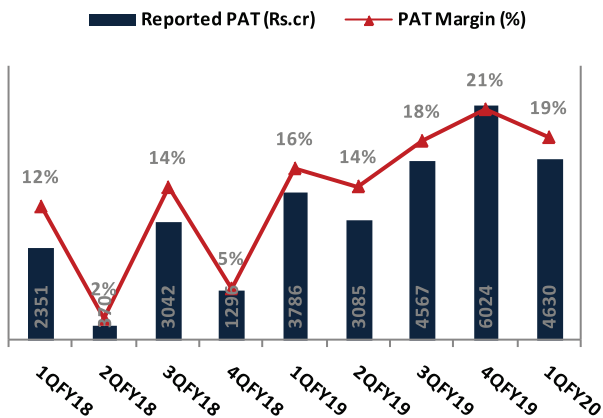
## Exhibit: EBITDA and EBITDA Margin Trend

Higher realization and lower RM cost led to improvement in EBITDA....



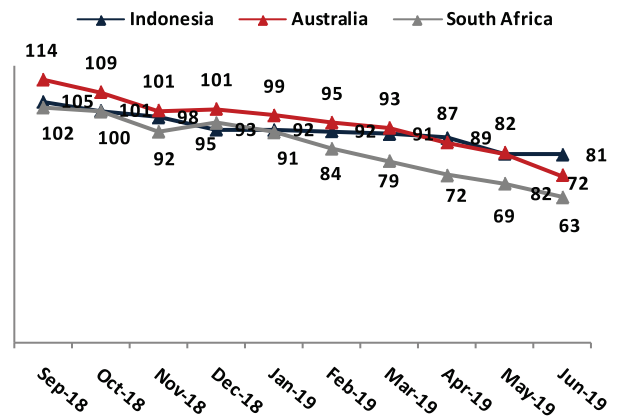
## Exhibit: PAT and PAT Margin Trend

PAT margin continue to remain in line with EBITDA margin trend....



## Exhibit: International Coal Price Trend

International coal price have corrected significantly from CY18 levels....



## Financial Details

### Balance Sheet

Fig in Rs Cr

Y/E March	FY14	FY15	FY16	FY17	FY18	FY19	FY20E	FY21E
<b>Share Capital</b>	<b>6,316</b>	<b>6,316</b>	<b>6,316</b>	<b>6,207</b>	<b>6,207</b>	<b>6,163</b>	<b>6,163</b>	<b>6,163</b>
Reserves	36,088	34,037	28,517	18,319	13,639	20,291	24,080	28,843
<b>Networth</b>	<b>42,404</b>	<b>40,353</b>	<b>34,833</b>	<b>24,527</b>	<b>19,847</b>	<b>26,454</b>	<b>30,243</b>	<b>35,006</b>
Debt	171	402	1,192	3,008	1,531	2,203	1,531	1,531
Other Non Cur Liab	37,168	41,498	46,273	48,679	55,433	58,574	59,830	62,996
<b>Total Capital Employed</b>	<b>42,576</b>	<b>40,755</b>	<b>36,025</b>	<b>27,535</b>	<b>21,378</b>	<b>28,657</b>	<b>31,774</b>	<b>36,537</b>
Net Fixed Assets (incl CWIP)	19,100	21,274	26,636	32,398	37,864	42,273	48,381	51,219
Non Cur Investments	1,188	963	966	969	1,303	1,421	500	500
Other Non Cur Asst	3,728	4,601	4,017	4,995	8,921	7,376	8,999	7,449
Non Curr Assets	24,016	26,838	40,502	47,816	58,677	63,399	76,130	77,417
<b>Inventory</b>	<b>5,568</b>	<b>6,184</b>	<b>7,569</b>	<b>8,945</b>	<b>6,444</b>	<b>5,584</b>	<b>5,602</b>	<b>8,009</b>
<b>Debtors</b>	<b>8,241</b>	<b>8,522</b>	<b>11,448</b>	<b>10,736</b>	<b>8,689</b>	<b>5,499</b>	<b>7,003</b>	<b>10,975</b>
<b>Cash &amp; Bank</b>	<b>52,390</b>	<b>53,093</b>	<b>38,015</b>	<b>31,230</b>	<b>31,475</b>	<b>31,124</b>	<b>30,500</b>	<b>29,978</b>
Other Curr Assets	14,028	15,905	15,295	17,352	22,206	27,113	26,881	28,219
Curr Assets	80,227	83,703	72,327	68,263	68,814	69,320	69,986	77,182
Creditors	805	921	3,297	3,900	4,517	6,816	7,003	4,746
Provisons (both)	39,191	44,204	49,591	53,203	64,717	59,556	63,900	67,669
Other Curr Liab	-	-	3,988	4,557	5,416	4,143	6,444	6,824
Curr Liabilities	24,435	28,223	30,425	39,519	50,319	45,082	54,098	54,619
<b>Net Curr Assets</b>	<b>55,792</b>	<b>55,481</b>	<b>41,901</b>	<b>28,744</b>	<b>18,496</b>	<b>24,238</b>	<b>15,888</b>	<b>22,562</b>
<b>Total Assets</b>	<b>104,242</b>	<b>110,541</b>	<b>112,828</b>	<b>116,079</b>	<b>127,492</b>	<b>132,719</b>	<b>146,116</b>	<b>154,599</b>

### Income Statement

Fig in Rs Cr

Y/E March	FY14	FY15	FY16	FY17	FY18	FY19	FY20E	FY21E
<b>Revenue from Operation</b>	<b>68,810</b>	<b>74,120</b>	<b>78,008</b>	<b>78,221</b>	<b>85,926</b>	<b>99,547</b>	<b>102,239</b>	<b>108,270</b>
Change (%)	1%	8%	5%	0%	10%	16%	3%	6%
Other Income	8,969	6,571	5,941	5,516	4,658	5,874	4,522	5,591
<b>EBITDA</b>	<b>15,963</b>	<b>17,335</b>	<b>18,711</b>	<b>12,240</b>	<b>9,629</b>	<b>24,977</b>	<b>25,332</b>	<b>26,092</b>
Change (%)	-12%	9%	8%	-35%	-21%	159%	1%	3%
Margin (%)	23%	23%	24%	16%	11%	25%	25%	24%
Depr & Amor.	1,996	2,320	2,826	2,910	3,066	3,450	3,853	4,162
<b>EBIT</b>	<b>13,967</b>	<b>15,016</b>	<b>15,885</b>	<b>9,330</b>	<b>6,562</b>	<b>21,527</b>	<b>21,479</b>	<b>21,930</b>
Int. & other fin. Cost	58	7	386	412	432	275	461	476
<b>EBT</b>	<b>22,878</b>	<b>21,579</b>	<b>21,440</b>	<b>14,434</b>	<b>10,789</b>	<b>27,125</b>	<b>25,540</b>	<b>27,044</b>
Exp Item	-	-	-	-	-	-	-	-
Tax	7,768	7,857	7,172	5,166	3,707	9,662	8,773	9,303
Minority Int & P/L share of Ass.	-	-	(1)	(2)	0	(1)	-	-
<b>Reported PAT</b>	<b>15,112</b>	<b>13,727</b>	<b>14,267</b>	<b>9,266</b>	<b>7,083</b>	<b>17,462</b>	<b>16,767</b>	<b>17,741</b>
<b>Adjusted PAT</b>	<b>15,112</b>	<b>13,727</b>	<b>14,267</b>	<b>9,266</b>	<b>11,152</b>	<b>17,462</b>	<b>16,767</b>	<b>17,741</b>
Change (%)	-13%	-9%	4%	-35%	-24%	147%	-4%	6%
Margin(%)	22%	19%	18%	12%	8%	18%	16%	16%

## Financial Details

### Key Ratios

Y/E March	FY14	FY15	FY16	FY17	FY18	FY19	FY20E	FY21E
ROE	36%	34%	41%	0.37	35%	65%	55%	50%
ROCE	33%	37%	45%	37%	31%	76%	68%	60%
Asset Turnover	0.66	0.67	0.69	0.67	0.67	0.75	0.70	0.70
Debtor Days	44	42	54	50	37	20	25	37
Inv Days	30	30	35	42	27	20	20	27
Payable Days	4	5	15	18	19	25	25	16
Int Coverage	241	2,051	41	23	15	78	47	46
P/E	14.2	15.3	14.4	19.6	24.8	8.4	7.4	7.0
Price / Book Value	5.0	5.2	5.9	7.3	8.7	5.4	4.0	3.5
EV/EBITDA	10.1	9.0	8.9	12.3	15.1	4.7	3.7	3.6
FCF per Share	16.5	15.0	11.7	11.6	20.5	16.1	20.4	20.9
Div Yield	10%	6%	8%	7%	6%	6%	9%	9%

### Cash Flow Statement

Fig in Rs Cr

Y/E March	FY14	FY15	FY16	FY17	FY18	FY19	FY20E	FY21E
<b>PBT</b>	<b>22,880</b>	<b>21,584</b>	<b>21,439</b>	<b>14,432</b>	<b>11,004</b>	<b>27,125</b>	<b>25,540</b>	<b>27,044</b>
(inc)/Dec in Working Capital	244	649	(2,670)	6,022	13,845	(4,892)	1,439	(2,480)
Non Cash Op Exp	227	1,721	2,260	4,336	3,846	3,995	4,313	4,638
Int Paid (+)	58	7	21	31	37	275	461	476
Tax Paid	(8,826)	(9,572)	(7,875)	(8,943)	(7,433)	(9,533)	(8,773)	(9,303)
others								
<b>CF from Op. Activities</b>	<b>14,525</b>	<b>14,382</b>	<b>13,154</b>	<b>15,847</b>	<b>21,262</b>	<b>16,695</b>	<b>22,519</b>	<b>19,899</b>
(inc)/Dec in FA & CWIP	(4,116)	(4,901)	(5,786)	(8,676)	(8,529)	(6,787)	(9,961)	(7,000)
Free Cashflow	10,408	9,480	7,368	7,171	12,733	9,908	12,558	12,899
(Pur)/Sale of Inv	6,221	509	8,905	5,667	(1,551)	(4,067)	921	-
others								
<b>CF from Inv. Activities</b>	<b>8,580</b>	<b>894</b>	<b>8,154</b>	<b>455</b>	<b>(7,676)</b>	<b>(8,266)</b>	<b>(9,040)</b>	<b>(7,000)</b>
inc/(dec) in NW	-	-	-	(3,650)	-	(1,050)	-	-
inc/(dec) in Debt	(1,263)	193	990	1,817	(1,478)	(1,050)	(672)	-
Int. Paid	(58)	(7)	(21)	(31)	(37)	(10)	(461)	(476)
Div Paid (inc tax)	(24,243)	(15,596)	(20,830)	(15,103)	(12,324)	(9,947)	(12,978)	(12,978)
others								
<b>CF from Fin. Activities</b>	<b>(25,350)</b>	<b>(15,026)</b>	<b>(19,587)</b>	<b>(17,598)</b>	<b>(13,587)</b>	<b>(10,152)</b>	<b>(14,111)</b>	<b>(13,454)</b>
Inc(Dec) in Cash	(2,246)	250	1,721	(1,296)	(1)	(1,722)	(632)	(555)
Add: Opening Balance	11,685	9,439	3,156	4,876	4,194	3,998	31,124	30,500
<b>Closing Balance</b>	<b>9,439</b>	<b>9,689</b>	<b>4,876</b>	<b>3,580</b>	<b>4,193</b>	<b>2,276</b>	<b>30,493</b>	<b>29,945</b>

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