

Industry
Bloomberg
BSE CODE

Mining
COAL IN
533278

RATING	HOLD
CMP	180
Price Target	212
Potential Upside	18%

Rating Change	↔
Estimate Change	↑
Target Change	↔

STOCK INFO	
52wk Range H/L	271/171
Mkt Capital (Rs Cr)	111,236
Free float (%)	31%
Avg. Vol 1M (,000)	11268
No. of Shares (Crs)	616
Promoters Pledged %	0%

RESEARCH ANALYST

AYUSHI RATHI

ayushi.rathi@narnolia.com

Margins remain under pressure with reduced International Coal prices

3QFY20 Result update

- COALINDIA reported revenue of Rs. 23190 Cr. (vs our estimates of Rs. 23068 Cr.) de-grew by 7.4% YoY largely on account reduced production as well as off-take volumes by 5.4% YoY and 8% YoY respectively. Meanwhile fall in international coal prices (particularly Indonesia coal prices) reduced the E-auction, washed coal and other by product realization during the quarter.
- Production and Off-take volumes in 3QFY20 is at 147.5 MT (down 5.4% YoY) and 141.6 MT (down 8% YoY) respectively. Fall in volumes was on the back of prolonged monsoons up till mid of November.
- FSA volumes were at 127.69 MT with an average realization of Rs. 1411/T (up 6% YoY). E-auction volume is 9.84 MT with the realization of Rs. 2623/T (down 7.8% YoY) led by decrease in international coal prices.
- Blended realization remains flat on YoY basis at Rs. 1524/T in 3QFY20.
- EBITDA in 3QFY20 is Rs. 4968 Cr. with an EBITDA margin of 21.4% contracted by 570 bps YoY due to higher employee cost, contractual expenses, power and fuel cost.
- PAT during the quarter stood at Rs. 3921 Cr. de-grew by 14.1% YoY despite higher other income and reduced tax rates. Higher finance cost has contracted PAT margins to 16.9% (18.2% in 3QFY19).

View and Valuation

Prolonged monsoon reduced production as well as off-take volumes in 3QFY20. Reduced international coal prices fall realization for E-auctioned coal, washed coal and other by production. Further, it will create pressure on margins. 100% FDI in the coal sector will bring competitive intensity within Coal India and will outperform with the available reserves available. Based on the demand and supply gap of coal resources available and the increasing exports this 100% FDI will not impact the monopoly of Coal India. We maintain our stance to HOLD the stock with the target price of Rs. 212 (4.2x FY21E EV/EBITDA).

Key Risks to our rating and target

- Further decline in international coal prices.
- Impact on volume growth due to change in norms.

Fig in Rs Cr

KEY FINANCIAL/VALUATIONS	FY17	FY18	FY19	FY20E	FY21E
Net Sales	78,221	85,926	99,547	94,078	102,900
EBITDA	12,240	9,629	24,977	20,437	24,569
Adj.PAT	9,266	11,152	17,462	16,366	18,912
EPS (Rs)	15	11	28	26.56	30.69
EPS growth (%)	-34	-24	148	-6	16
ROE (%)	37	35	65	54	52
ROCE (%)	37	31	76	54	54
BV	40.07	32.56	43.59	49.08	58.71
P/B (X)	7.31	8.71	5.43	3.67	3.59
P/E (x)	19.62	24.85	8.36	6.77	6.88

The views expressed above accurately reflect the personal views of the authors about the subject companies and its(their) securities. The authors have not and will not receive any compensation for providing a specific recommendation or view. Narnolia Financial Advisors Ltd. does and seeks to do business with companies covered in its research reports. As a result, investors should be aware that the firm may have a conflict of interest that could affect the objectivity of this report. Investors should consider this report as only a single factor in making their investment decision.

Lower volumes hampered performance..

3QFY20 Results Consolidated

Fig in Rs Cr

FINANCIALS	3QFY19	4QFY19	1QFY20	2QFY20	3QFY20	YoY %	QoQ%	FY18	FY19	YoY %
Net Sales	25,046	28,546	24,939	20,383	23,190	-7.4%	13.8%	85,926	99,547	15.9%
Other Income	1,163	1,820	1,150	1,630	1,412	21.4%	-13.4%	4,658	5,874	26%
COGS	1,936	521	2,195	2,683	1,455	-24.8%	-45.8%	8,509	8,188	-3.8%
Staff Cost	9,518	10,701	9,896	9,073	9,839	3.4%	8.5%	42,634	38,770	-9.1%
Power and Fuel	606	605	590	630	648	6.9%	2.8%	2,516	2,443	-2.9%
Contract. Exp	3,628	3,839	3,325	2,397	3,676	1.3%	53.4%	12,767	13,378	4.8%
Other Exp	1,057	1,517	1,096	987	1,034	-2.2%	4.7%	4,215	4,741	12.5%
Stripping Act	1,178	2,208	899	638	1,214	3%	90.3%	3,358	5,071	51.0%
Total Exp	18,258	20,334	18,327	16,771	18,222	-0.2%	8.6%	76,297	74,570	-2.3%
EBITDA	6,788	8,212	6,612	3,611	4,968	-26.8%	37.6%	9,629	24,977	159.4%
Depreciation	861	1,037	734	793	894	3.8%	12.8%	3,066	3,450	12.5%
EBIT	5,927	7,175	5,878	2,818	4,074	-	44.6%	6,562	21,527	228.0%
PBT	7,028	8,893	7,012	4,279	5,335	-24.1%	24.7%	10,789	27,125	151.4%
Tax	2,462	2,866	2,381	754	1,414	-	87.5%	3,707	9,662	160.7%
PAT	4,567	6,024	4,630	3,523	3,922	-14.1%	11.3%	7,083	17,462	146.6%
Adj.PAT	4,567	6,024	4,630	3,523	3,922	-14.1%	11.3%	11,152	17,462	56.6%

Operating Matrix

FSA	3QFY18	4QFY18	1QFY19	2QFY19	3QFY19	4QFY19	1QFY20	2QFY20	3QFY20	YoY %
Quantity (mt)	121.9	126.4	130.4	116.8	135.8	142.4	130.3	103.8	127.7	-6.0%
Sales (Rs.cr)	14,400	17,736	17,116	15,284	18,125	20,794	17,855	14,937	18016	-0.6%
Realzt. (Rs./t)	1,182	1,403	1,313	1,308	1,334	1,460	1,370	1,439	1411	5.8%

E-AUCTION	3QFY18	4QFY18	1QFY19	2QFY19	3QFY19	4QFY19	1QFY20	2QFY20	3QFY20	YoY %
Quantity (mt)	26.4	29.3	19.4	17.7	14.7	16.7	19.1	15.5	9.8	-32.8%
Sales (Rs.cr)	5,268	6,181	4,657	4,583	4,171	4,603	4,106	3,128	2581	-38.1%
Realzt. (Rs./t)	1,998	2,112	2,399	2,592	2,847	2,754	2,155	2,020	2623	-7.9%

Fall in production and off take volume in 3QFY20

Volume in 3QFY20 de-grew by 5.4% YoY with the reduced volumes in FSA and E-auction. FSA volumes stood at 128 MT (down 6% YoY) and E-auction volumes are at 10 MT (down 33% YoY). Among the 8 subsidiaries NCL is the only one which grew across the months in 3QFY20 in terms of production as well as off-take volumes. Meanwhile, November and December were the months which show some improvement in production and Off-take. However, production volumes of CCL and NEC subsidiaries declined consecutively. Overtake follows the same trend of growth and de-growth of production volumes during the quarter. Overall the off take fell by 8% YoY in 3QFY20.

FSA and E-Auction volume and realization

FSA volume de-grew by 6% YoY to 128 MT yet realization growth of 6% YoY to Rs. 1411/Tons offset the same. FSA revenue remains flat on YoY basis at Rs. 18015 Cr during the quarter. E-auction revenue stood at Rs. 2581 Cr. (down by 38% YoY) with the reduced volumes by 33% YoY to 10 MT and realization by 8% YoY. Reduced realization of E-auction coal is due to fall in international coal prices particularly in Indonesia, South Africa and Australia. The average inventory days in power companies are around 17 to 19 days.

Exhibit: Monthly Coal Production Trend

Production Volumes decline in 3QFY20 on YoY basis due to prolonged monsoon...

Monthly Production (mt)

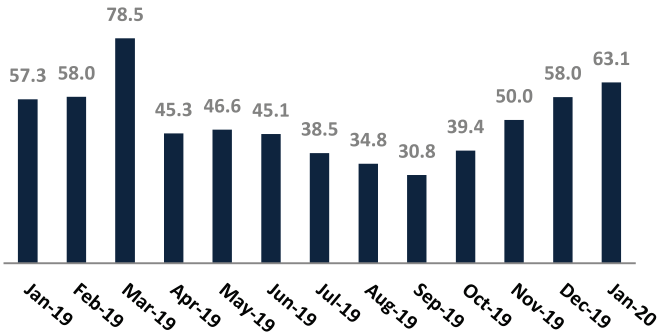


Exhibit: Monthly Coal Offtake Trend

Off-take volumes go hand in hand with production volumes...

Monthly Off take (mt)

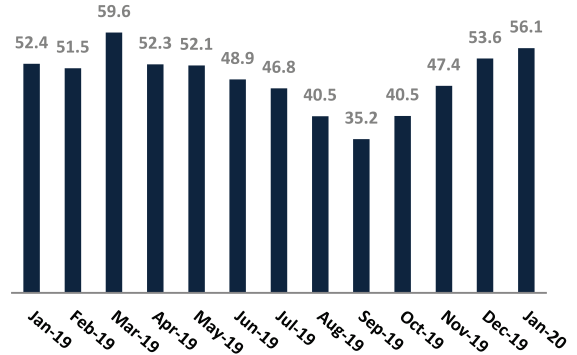


Exhibit: Dispatches to Power Sector Trend

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

Monthly Dispatches to Power Sector (mt)

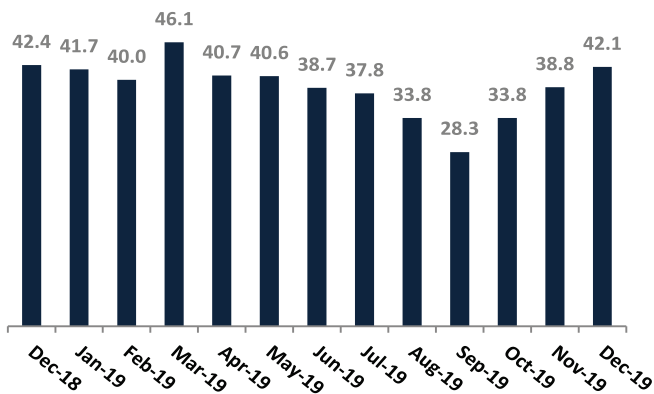


Exhibit: Coal Inventory at Power Plants

Coal inventory at power plants have improved consistently..

Coal Inventory at Power Plants (Days)

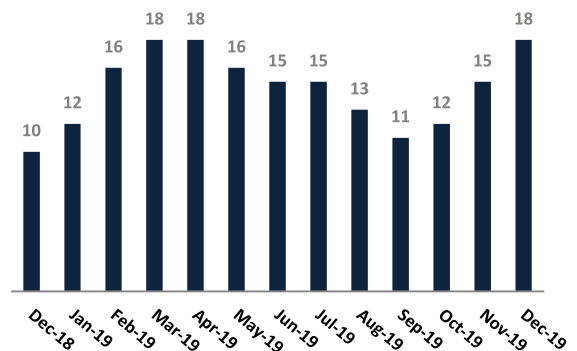


Exhibit: FSA Volume and Realisation Trend

FSA volume declined while realization up 6% YoY....

FSA Realization (Rs./T)

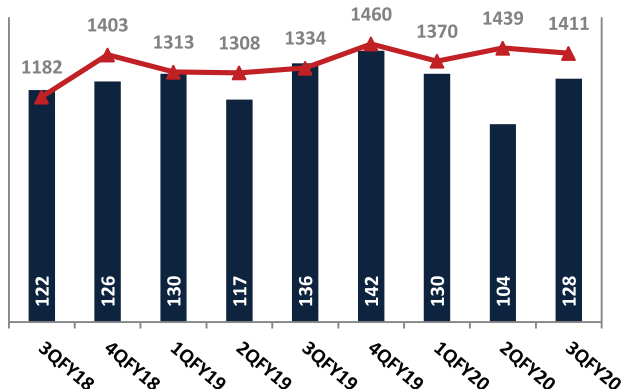


Exhibit: E-Auction Volume and Realisation Trend

realization down sharply due to falling international coal prices on YoY basis...

E-Auction Realization (Rs./T)

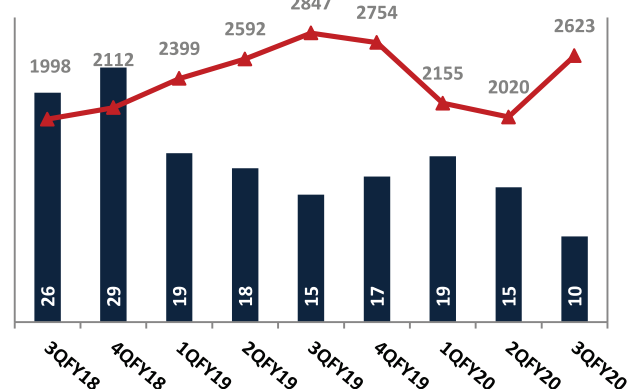


Exhibit: Quarterly Coal Production Trend

Production volume declined by 5.4% YoY...

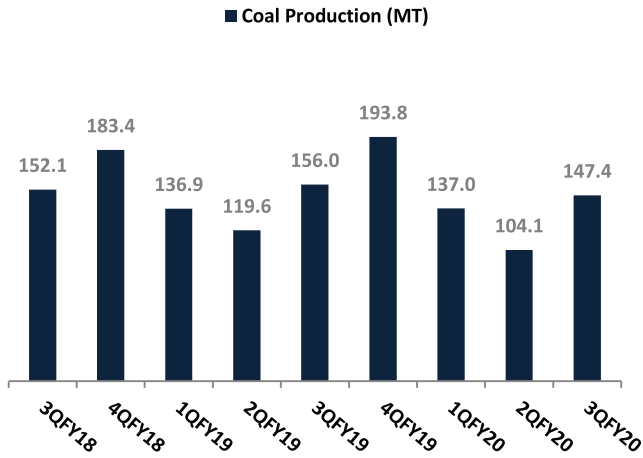


Exhibit: Quarterly Coal Offtake Trend

Off take volume also declined by 8% YoY...

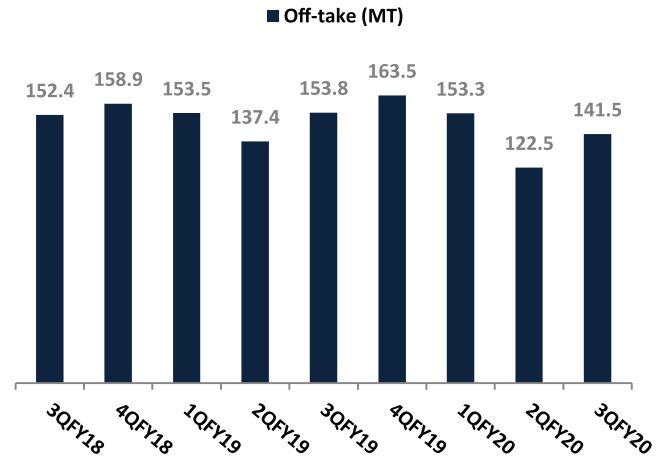


Exhibit: Net sales and Blended Realisation Trend

Realization remains flat on YoY basis..

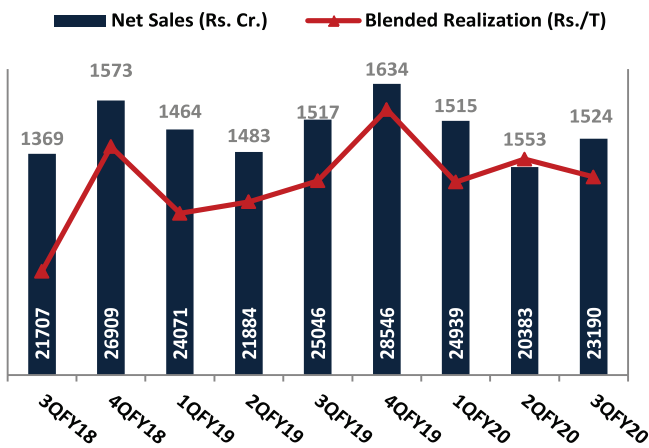


Exhibit: EBITDA and EBITDA Margin Trend

Higher cost on per ton basis due to lower volumes hampered margins.

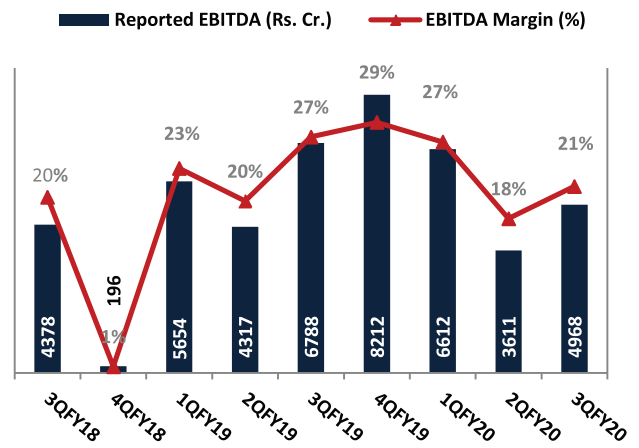


Exhibit: PAT and PAT Margin Trend

Lower taxes provided cushion to PAT.

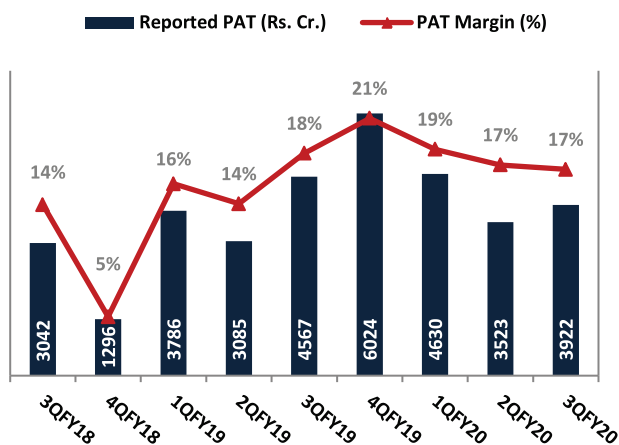
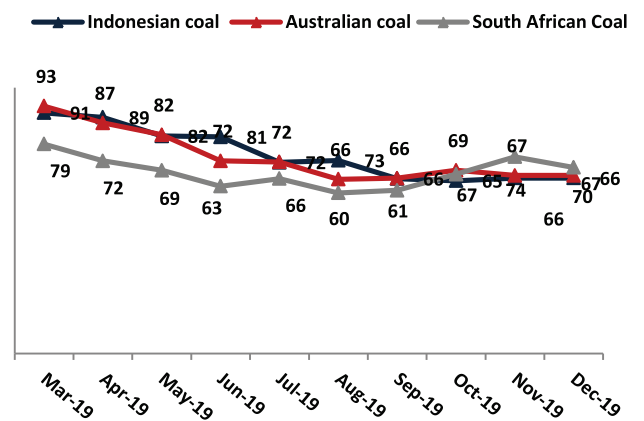


Exhibit: International Coal Price Trend

International coal prices reduced consecutively will create pressure on margins.



Financial Details

Balance Sheet

Fig in Rs Cr

Y/E March	FY14	FY15	FY16	FY17	FY18	FY19	FY20E	FY21E
Share Capital	6,316	6,316	6,316	6,207	6,207	6,163	6,163	6,163
Reserves	36,088	34,037	28,517	18,319	13,639	20,291	23,679	29,613
Networth	42,404	40,353	34,833	24,527	19,847	26,454	29,842	35,776
Debt	171	402	1,192	3,008	1,531	2,203	1,866	1,866
Other Non Cur Liab	37,168	41,498	46,273	48,679	55,433	58,574	55,545	60,176
Total Capital Employed	42,576	40,755	36,025	27,535	21,378	28,657	31,707	37,641
Net Fixed Assets (incl CWIP)	19,100	21,274	26,636	32,398	37,864	42,273	48,923	51,696
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	7,580	6,863
Non Curr Assets	24,016	26,838	40,502	47,816	58,677	63,399	75,254	77,309
Inventory	5,568	6,184	7,569	8,945	6,444	5,584	5,155	7,612
Debtors	8,241	8,522	11,448	10,736	8,689	5,499	6,444	10,431
Cash & Bank	52,390	53,093	38,015	31,230	31,475	31,124	25,795	26,189
Other Curr Assets	14,028	15,905	15,295	17,352	22,206	27,113	24,792	28,595
Curr Assets	80,227	83,703	72,327	68,263	68,814	69,320	62,185	72,826
Creditors	805	921	3,297	3,900	4,517	6,816	6,444	4,511
Provisions (both)	39,191	44,204	49,591	53,203	64,717	59,556	58,799	64,312
Other Curr Liab	-	-	3,988	4,557	5,416	4,143	5,929	6,485
Curr Liabilities	24,435	28,223	30,425	39,519	50,319	45,082	49,779	51,910
Net Curr Assets	55,792	55,481	41,901	28,744	18,496	24,238	12,405	20,916
Total Assets	104,242	110,541	112,828	116,079	127,492	132,719	137,439	150,134

Income Statement

Fig in Rs Cr

Y/E March	FY14	FY15	FY16	FY17	FY18	FY19	FY20E	FY21E
Revenue from Operation	68,810	74,120	78,008	78,221	85,926	99,547	94,078	102,900
Change (%)	1%	8%	5%	0%	10%	16%	-5%	9%
Other Income	8,969	6,571	5,941	5,516	4,658	5,874	5,226	5,421
EBITDA	15,963	17,335	18,711	12,240	9,629	24,977	20,437	24,569
Change (%)	-12%	9%	8%	-35%	-21%	159%	-18%	20%
Margin (%)	23%	23%	24%	16%	11%	25%	22%	24%
Depr & Amor.	1,996	2,320	2,826	2,910	3,066	3,450	3,311	4,227
EBIT	13,967	15,016	15,885	9,330	6,562	21,527	17,126	20,341
Int. & other fin. Cost	58	7	386	412	432	275	480	489
EBT	22,878	21,579	21,440	14,434	10,789	27,125	21,872	25,273
Exp Item	-	-	-	-	-	-	0	0
Tax	7,768	7,857	7,172	5,166	3,707	9,662	5,505	6,361
Minority Int & P/L share of Ass.	0	0	-1	-2	0	-1	(1)	-
Reported PAT	15,112	13,727	14,267	9,266	7,083	17,462	16,366	18,912
Adjusted PAT	15,112	13,727	14,267	9,266	11,152	17,462	16,366	18,912
Change (%)	-13%	-9%	4%	-35%	-24%	147%	-6%	16%
Margin(%)	22%	19%	18%	12%	8%	18%	17%	18%

Financial Details

Key Ratios

Y/E March	FY14	FY15	FY16	FY17	FY18	FY19	FY20E	FY21E
ROE	35.6%	34.0%	40.8%	37.3%	35.0%	65.0%	54.1%	52.3%
ROCE	32.8%	37.0%	45.1%	37.1%	30.9%	76.0%	53.6%	53.7%
Asset Turnover	0.7	0.7	0.7	0.7	0.7	0.8	0.7	0.7
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	240.8	2051.3	41.1	22.7	15.2	78.3	35.7	41.6
P/E	14.2	15.3	14.4	19.6	24.8	8.4	6.8	6.9
Price / Book Value	5.0	5.2	5.9	7.3	8.7	5.4	3.7	3.6
EV/EBITDA	10.1	9.0	8.9	12.3	15.1	4.7	4.2	4.3
FCF per Share	16.5	15.0	11.7	11.6	20.5	16.1	12.2	22.5
Div Yield	10%	6%	8%	7%	6%	6%	10%	9%

Cash Flow Statement

Fig in Rs Cr

Y/E March	FY14	FY15	FY16	FY17	FY18	FY19	FY20E	FY21E
PBT	22,880	21,584	21,439	14,432	11,004	27,125	21,871	25,273
(inc)/Dec in Working Capital	244	649	(2,670)	6,022	13,845	(4,892)	(2,651)	(2,767)
Non Cash Op Exp	227	1,721	2,260	4,336	3,846	3,995	3,791	4,717
Int Paid (+)	58	7	21	31	37	275	480	489
Tax Paid	(8,826)	(9,572)	(7,875)	(8,943)	(7,433)	(9,533)	(5,505)	(6,361)
others								
CF from Op. Activities	14,525	14,382	13,154	15,847	21,262	16,695	17,506	20,862
(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	7,545	13,862
(Pur)/Sale of Inv	6,221	509	8,905	5,667	(1,551)	(4,067)	921	-
others								
CF from Inv. Activities	8,580	894	8,154	455	(7,676)	(8,266)	(9,040)	(7,000)
inc/(dec) in NW	-	-	-	(3,650)	-	(1,050)	-	-
inc/(dec) in Debt	(1,263)	193	990	1,817	(1,478)	(1,050)	(337)	-
Int. Paid	(58)	(7)	(21)	(31)	(37)	(10)	(480)	(489)
Div Paid (inc tax)	(24,243)	(15,596)	(20,830)	(15,103)	(12,324)	(9,947)	(12,978)	(12,978)
others								
CF from Fin. Activities	(25,350)	(15,026)	(19,587)	(17,598)	(13,587)	(10,152)	(13,795)	(13,468)
Inc(Dec) in Cash	(2,246)	250	1,721	(1,296)	(1)	(1,722)	(5,330)	394
Add: Opening Balance	11,685	9,439	3,156	4,876	4,194	3,998	31,124	25,795
Closing Balance	9,439	9,689	4,876	3,580	4,193	2,276	25,794	26,189

Narnolia Financial Advisors Ltd. is a SEBI registered Research Analyst having SEBI Registration No. INH300006500. The Company/Analyst (s) does/do not have any holding in the stocks discussed but these stocks may have been recommended to clients in the past. Clients of Narnolia Financial Advisors Ltd. may be holding aforesaid stocks.

The stocks recommended are based on our analysis which is based on information obtained from public sources and sources believed to be reliable, but no independent verification has been made nor is its accuracy or completeness guaranteed.

Disclosures: Narnolia Financial Advisors Ltd. (NFAL) (Formerly Microsec Capital Ltd.) is a SEBI Registered Research Analyst having registration no. INH300006500. NFAL is engaged in the business of providing Stock Broking, Depository Participant, Merchant Banking, Portfolio Management & distribution of various financial products. Details of associate entities of NFAL is available on the website at www.narnolia.com

No penalties have been levied on NFAL by any Regulatory/Statutory authority. NFAL, its associates, Research Analyst or their relative may have financial interest in the subject company. NFAL and/or its associates and/or Research Analyst may have beneficial ownership of 1% or more securities in the subject company at the end of the month immediately preceding the date of publication of the Research Report. NFAL and its associate company(ies), their directors and Research Analyst and their relatives may; (a) from time to time, have a long or short position in, act as principal in, and buy or sell the securities or derivatives thereof of companies mentioned herein. (b) be engaged in any other transaction involving such securities and earn brokerage or other compensation or act as a market maker in the financial instruments of the company(ies) discussed herein or act as an advisor or lender/borrower to such company(ies) or may have any other potential conflict of interests with respect to any recommendation and other related information and opinions.; however the same shall have no bearing whatsoever on the specific recommendations made by the analyst(s), as the recommendations made by the analyst(s) are completely independent of the views of the associates of NFAL even though there might exist an inherent conflict of interest in some of the stocks mentioned in the research report. Research Analyst may have served as director/officer, etc. in the subject company in the last 12 month period. NFAL and/or its associates may have received compensation from the subject company in the past 12 months. In the last 12 months period ending on the last day of the month immediately preceding the date of publication of this research report, NFAL or any of its associates may have: a) managed or co-managed public offering of securities from subject company of this research report, b) received compensation for investment banking or merchant banking or brokerage services from subject company of this research report, c) received compensation for products or services other than investment banking or merchant banking or brokerage services from the subject company of this research report. d) Subject Company may have been a client of NFAL or its associates during 12 months preceding the date of distribution of the research report. NFAL and its associates have not received any compensation or other benefits from the Subject Company or third party in connection with the research report. NFAL and / or its affiliates may do and seek to do business including Investment Banking with companies covered in the research reports. As a result, the recipients of this report should be aware that NFAL may have a potential conflict of interest that may affect the objectivity of this report. Compensation of Research Analysts is not based on any specific Merchant Banking, Investment Banking or Brokerage service transactions. Research Analyst's views on Subject Company may vary based on Fundamental research and Technical Research. Proprietary trading desk of NFAL or its associates maintains arm's length distance with Research Team as all the activities are segregated from NFAL research activity and therefore it can have an independent view with regards to subject company for which Research Team have expressed their views.

Analyst Certification The views expressed in this research report accurately reflect the personal views of the analyst(s) about the subject securities or issues, and no part of the compensation of the research analyst(s) was, is, or will be directly or indirectly related to the specific recommendations and views expressed by research analyst(s) in this report.

Disclosure of Interest Statement-

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

A graph of daily closing prices of securities is available at www.nseindia.com, www.bseindia.com.

Correspondence Office Address: Arch Waterfront, 5th Floor, Block GP, Saltlake, Sector 5, Kolkata 700 091; Tel No.: 033-40541700; www.narnolia.com.

Registered Office Address: Marble Arch, Office 201, 2nd Floor, 236B, AJC Bose Road, Kolkata 700 020; Tel No.: 033-4050 1500; www.narnolia.com

Compliance Officer: Manish Kr Agarwal, Email Id: mkagarwal@narnolia.com, Contact No.:033-40541700.

Registration details of Company: Narnolia Financial Advisors Ltd. (NFAL): SEBI Stock Broker Registration: INZ000166737 (NSE/BSE/MSEI); NSDL/CDSL: IN-DP-380-2018; Research Analyst: INH300006500, Merchant Banking: (Registration No.: INM000010791), PMS: (Registration No.: INP000002304), AMFI Registered Mutual Fund distributor: ARN 3087

Registration Details of Group entities: G. Raj & Company Consultants Ltd (G RAJ)-BSE Broker INZ260010731; NSDL DP: IN-DP-NSDL-371-2014 || Narnolia Commerce Limited (Formerly Microsec Commerce Ltd.)-MCX/NCDEX Commodities Broker: INZ000051636 || NarnoliaVelox Advisory Ltd.- SEBI Registered PMS: INP000005109 || Eastwind Capital Advisors Pvt Ltd. (EASTWIND)-SEBI Registered Investment Adviser: INA300005439 || Narnolia Insurance Brokers Limited (Formerly Microsec Insurance Brokers Ltd.)-IRDA Licensed Direct Insurance Broker (Life & Non-Life) Certificate No. 134, License No. DB046/02 || Narnolia Securities Ltd. (NSL)-AMFI Registered Mutual Fund distributor: ARN 20558, PFRDA NPS POP: 27092018 || Narnolia Capital Advisors Pvt. Ltd. - RBI Registered NBFC:B.05.02568.

Disclaimer:

This report has been prepared by Narnolia Financial Advisors Ltd. (NFAL) and is meant for sole use by the recipient and not for public circulation. The report and information contained herein is strictly confidential and may not be altered in any way, transmitted to, copied or distributed, in part or in whole, to any other person or to the media or reproduced in any form, without prior written consent of NFAL. The report is based on the facts, figures and information that are considered true, correct, reliable and accurate. The intent of this report is not recommendatory in nature. The information is obtained from publicly available media or other sources believed to be reliable. Such information has not been independently verified and no guaranty, representation of warranty, express or implied, is made as to its accuracy, completeness or correctness. All such information and opinions are subject to change without notice. The report is prepared solely for informational purpose and does not constitute an offer document or solicitation of offer to buy or sell or subscribe for securities or other financial instruments for the clients. Nothing in this report constitutes investment, legal, accounting and tax advice or a representation that any investment or strategy is suitable or appropriate to your specific circumstances. The securities discussed and opinions expressed in this report may not be suitable for all investors, who must make their own investment decisions, based on their own investment objectives, financial positions and needs of specific recipient. Certain transactions -including those involving futures, options, another derivative products as well as non-investment grade securities - involve substantial risk and are not suitable for all investors. Each recipient of this document should make such investigations as it deems necessary to arrive at an independent evaluation of an investment in the securities of companies referred to in this document (including the merits and risks involved), and should consult his/her/its own advisors to determine the merits and risks of such an investment. Though disseminated to all the customers simultaneously, not all customers may receive this report at the same time. NFAL will not treat recipients as customers by virtue of their receiving this report. Neither the Company, not its directors, employees, agents or representatives shall be liable for any damages whether direct or indirect, incidental, special or consequential including lost revenue or lost profits or lost opportunities that may arise from or in connection with the use of the information/report. The person accessing this information specifically agrees to exempt NFAL or any of its affiliates or employees from, any and all responsibility/liability arising from such misuse and agrees not to hold NFAL or any of its affiliates or employees responsible for any such misuse and further agrees to hold NFAL or any of its affiliates or employees free and harmless from all losses, costs, damages, expenses that may be suffered by the person accessing this information due to any errors and delays.

This report is not directed or intended for distribution to or use by any person or entity resident in a state, country or any jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject NFAL & its group companies to registration or licensing requirements within such jurisdictions.